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In France?

We learn from well-informed sources that Secretary of the Treasury, Henry Morgenthau, Jr.,

Sec. Morgenthau

Harry D. White

and Harry D. White, Assistant to Mr. Morgenthau, are presently abroad and are not expected to return to this country until late this month. Mr. Morgenthau and his Assistant were prominently identified with the work of the recent Bretton Woods Monetary and Financial Conference.

Omitted This Week

Owing to the paper situation, we were unable to accommodate in today's issue, several of our regular feature articles and a considerable amount of special editorial matter. Among the features omitted was "Our Reporter On Governments." We will resume publication of this column in next week's issue and also expect to accommodate the special articles that unfortunately could not be contained in today's edition.

Index of Regular Features on page 600

*Post-War Employment, Flexible Costs And Profits

By ELISHA M. FRIEDMAN

Consulting Economist Maintains Full Employment At All Times Cannot Be Maintained Under A Rigid Wage System—Advocates Flexible Wages Accompanied By Profit Sharing And A Tax System To Encourage Risk Taking—Holds Rigid Wages Mean Rigid Selling Prices And That Means Monopoly

Full employment under free enterprise is the post-war aim of labor, of capital and of the government. The Twentieth Century Fund lists over 100 organizations that are studying post-war problems. The average man, busy with his day-to-day work, may be confused by the numerous proposals.

E. M. Friedman

Many theories of unemployment have been advanced. But the income account of any business provides a realistic explanation. **Costs must not exceed selling prices.** Profits are basic. Production cannot continue at a loss. A single, simple prerequisite underlies every solution. If selling prices are less than costs, the risk-taker has a loss. Such loss cannot long continue. When it does, he must reduce his costs by discharging labor temporarily. Otherwise he goes bankrupt, and the workers lose their jobs permanently.

At no place in the world and

*With thanks to the New York "Times" and New York "Sun" for permission to use portions of this paper.

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"Plan For V-Day Now"

Paul G. Hoffman Urges Immediate Concentration On Post-War Plans—Says These Plans Must Provide For Expansion Of Production And Consumption Of From 30 To 45% To Create Needed Jobs—Holds Selling And Advertising Must Go Into High Gear And Tax System Changed To Permit Proper Rewards For Risk Taking "Climate Favorable To Enterprise Essential"

Addressing Borough of Queens Committee for Economic Development, Aug. 2, P. G. Hoffman, Pres. of Studebaker Corp. and National Chairman of the Committee for Economic Development, stressed the importance of planning immediately to achieve "a sound prosperous post-war economy for our fighting men to come back to." This problem "of winning the peace," he stated, "may be even greater than that of winning the war."

Paul G. Hoffman

Continuing, Mr. Hoffman said:

We know from our experience in World War I that A-Day will bring unemployment to America. Immediately after our first rejoicing over the defeat of Germany, telegrams will go out of Washington cancelling thousands of contracts for the manufacture of war materials. Upon receipt of those telegrams, industry will be forced to begin laying off workers. How

(Continued on page 585)

Bretton Woods In Review

I—The World Bank

By PHILIPP H. LOHMAN, Ph.D.

While at the United Nations Monetary and Financial Conference held at Bretton Woods, N. H., July 1-22, for three weeks, I breathed the atmosphere of the proposed world stabilization fund and the world bank. I practically slept with the delegates and knew—this despite criticism of secrecy surrounding the conference—what was going on day by day. But when one lives as closely to the making of events, there is of course a danger that personalities rather than issues influence one; a danger that even the most objective observer may lose some of his objectivity by being drawn into the vortex of day-by-day evolving issues.

P. H. Lohman

The Conference organized into three commissions which dealt with the proposals for the fund, the bank, and miscellaneous matters. I am sorry to say that Commission III (other means of international financial cooperation) has received so little attention. Out of 10 resolutions submitted, but three were acted upon. These resolutions dealt with (1) axis-looted funds, (2) silver, and (3) the Bank of International Settlements. As regards the first, many delegations felt that steps should be taken to prevent axis leaders from enjoying any of their ill-gotten gains after the war. It was proposed to take up this question with the interallied commission which was established for such purpose two years ago. At that time 18 nations agreed to insist upon the principle of caveat emptor for any securities acquired during the war from axis or axis-suspected sources. Later on, that declaration was amended to include the statement that axis gold

(Continued on page 590)

The Farmers' Cooperative Movement And Its Future

By C. N. SILCOX *

Of Cooperative Grange League Federation Exchange, Inc.

Farmers' Cooperative Representative Predicts Further Future Expansion Of Cooperative Activities And Describes The Growth Of These Organizations — Lists Among Their Activities (1) Cooperative Buying Of Seeds And Supplies, (2) The Operation Of Fertilizer Plants And Other Supply Factories (3) The Operation Of Flour, Cereal And Other Processing Mills, As Well As The Maintenance Of Egg Stations, Produce Auctions, Retail Stores And Warehouses

I feel that I am among friends. The statement in the bulletin sent to me as to the purpose of your society reads as follows: "The New York Society of Security Analysts, Inc. is a non-profit membership corporation." The Cooperative Grange League Federation Exchange, Inc., of which I am an employee, is also "a non-profit membership corporation."

C. N. Silcox

As an employee of a farmer cooperative, I am pleased to have the opportunity of appearing before a group of financial men to tell you something about the farm cooperative movement and the activities of a typical farm cooperative which operates here in the northeast.

Mr. Shelby Davis, who extended to me the invitation to meet with you, asked that I tell you particularly about the farm cooperative plans for the future. To understand the probable future developments of farm cooperatives you must first understand why they were organized and what they are now doing.

Why Farm Cooperatives?

The farmer is about the only rugged individualist left in this country. Recently it has looked as if the Government were going to take him over, but the farmer is fighting vigorously to maintain

*Address delivered by Mr. Silcox before the New York Society of Security Analysts in New York City on July 25, 1944.

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Municipal Forum At NSTA Meeting Aug. 25

The Municipal Forum of the National Security Traders Association will be held in Chicago at the Palmer House, Aug. 25, at 2 p.m.

The program and discussion will be most interesting and a full attendance of municipal men is expected.

Form Chance-Hall & Co.

(Special to The Financial Chronicle)

FRESNO, CALIF.—Raymond E. Hall and Gabe H. Chance have formed Chance-Hall & Co. with offices in the Helm Building to engage in a securities business. Both were formerly connected with Bankamerica Company.

Wickard Warns Against Farm Land Boom

Agriculture Secretary Says Stage Is Set For Repetition Of The Disastrous Experience Following Previous War

In a radio address over the Columbia Broadcasting System on Aug. 2, 1944, Claude R. Wickard, the Secretary of Agriculture sounded a grave warning against the rapid rate in the rise of farm land prices. "Another farm land boom," stated the Secretary, "closely paralleling the one that ended so disastrously after the last war, is building up in this country. Most rural Americans over 40 years old remember all too well the suffering, heartbreak, and misery that stalked the Nation as the tide of farm foreclosures, bankruptcies, and bank failures swept the country in the 20s and 30s after land prices had hit the downhill trail. Much of that economic chaos was traceable to the original mistake of people going into debt to buy farms at boomtime prices. In other words, they paid more than the land was worth when viewed from its long-range earning power. So when the price of commodities grown on the farm went down, while payments and interest charges remained up, trouble was inevitable. The question that many are asking now is: Will that unfortunate experience be repeated after this war?

Claude R. Wickard

"Well, all I can say is that the stage is set, and the performance to date points definitely to future trouble *unless* the purchasers and prospective purchasers of farm land take a hand in changing the picture. The rate at which farm land prices is rising, coupled with the large number of sales, are unmistakable signs that an inflationary land spree is under way in many regions. The American people have incomes that could be used to bid up land prices even higher. About one-third of the farms being sold today are purchased by city people. War workers particularly are buying a piece of land to go to when the war is over. In too many cases, city people and war workers, as well as farmers, are paying too much for land. People who go into debt to buy farms at inflated prices stand to lose in the long run, through foreclosure or economic ruin, when peacetime conditions return to the farm commodity-and-real-estate market."

"The alternative to farm land inflation," Mr. Wickard concluded, "is to pay debts or put extra money into sound investments, such as war bonds."

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Unlisted Trading And The Exchanges

By J. GENTRY DAGGY *

Writer Asserts That Unlisted Trading On Exchanges Arose As "A Proving Ground" For New And Unseasoned Securities—Views Its Decline As Due To Better Security Marketing Control And Development Of Over-The-Counter Markets—Says The SEC's Defense In 1936 Of "Unlisted Trading Has Become Outmoded By Its Power To Control Over-The-Counter Trading"—Holds The Use Of Special And Secondary Offerings Under Exchange Regulations Prove Close Interrelationship Between Over-The-Counter And Exchange Markets

The SEC report of 1936, previously referred to, comprised a study of trading in unlisted securities upon exchanges. As a result of recommendations therein contained, and later discussed, the Commission acquired broad discretionary powers to continue, grant or terminate such privileges.

J. G. Daggy

Since much of the caterwauling and internecine strife within the business is centered upon the explosive topic of unlisted trading privileges on exchanges, it is in order to examine this hydra-headed anomaly.

To understand it, we must go back a few years to the early days of the New York Curb. The Curb Market came by its name honestly. For many years, prior to the early 1920's, the market was actually on the sidewalks and curb of Broad Street. Brokers, attired in Jacobean coats-of-many-colors and other distinctive regalia, milled about the street, flashing quotations and executions in sign language to window-sill order clerks in adjacent office buildings.

Naturally, there was little possibility of regulation and control as it is practiced today. In the early days there was no such thing as a formal listing. If a series of transactions in any given security took place, then that security became a Curb security. Even the tabulation of sales and publication of quotations were highly subject to inaccuracies and omissions. It was bright and colorful and as wide open as the sky above it. And it worked. It fulfilled an economic need of the time.

The New York Curb was regarded as a proving ground for new and unseasoned securities. Among many which lived a fitful existence and died in oblivion, the stocks and bonds of many subsequently great corporations were cradled and nurtured in this strange market.

In 1921 the New York Curb moved indoors and set up machinery of operation patterned after that of the New York Stock Exchange.

This marked the establishment of two similarly constituted exchange markets operating in the same city, and, to some extent, competitively. However, the general character of Curb securities

*Taken from a report prepared by Mr. Daggy for the Investment Traders Association of Philadelphia. Other sections of the report were printed in the "Chronicle," issues of July 20 and Aug. 3, 1944. Mr. Daggy is associated with the trading department of the Philadelphia office of H. M. Byllesby and Company.

(Continued on page 596)

Says Independent Poland Essential To Continental Democracy

Senator Vandenberg Of Michigan Scores "Apparent Determination" Of Russia "To Insist Upon A Unilateral Settlement Of The Polish Problem"—Pleads That Non-Aggression Pact Of Allies Be Upheld

In an address dealing with the post-war status of Poland, Senator Arthur H. Vandenberg of Michigan, a member of the Senate Foreign Relations Committee, expressed grave concern regarding the Soviet Government's attitude toward the re-establishment of a post-war independent Poland. "I want to be as realistic as possible in my discussion of this theme tonight," Senator Vandenberg said. "I want to be as frank as the necessary restrictions and the inevitable uncertainties of war will presently permit. If we have erred at all along this line in recent months, I fear we have erred on the side of too much strategic silence in the face of danger signals on these new horizons of our destiny.

A. H. Vandenberg

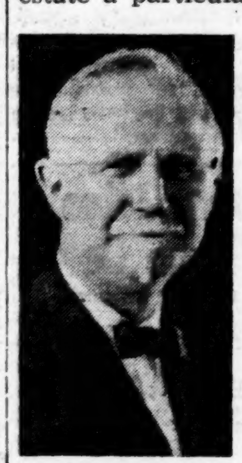
"First let me say that I agree emphatically with American statesmen in high places who appropriately counsel us that we must not jeopardize the winning of the war by splitting apart the essential fighting unity of the United Nations through prematurely quarreling among ourselves over the nature and the definition of the peace to come. I agree that we must be patient and tolerant with one another, that we must ever subordinate the lesser to the greater current needs, and that we serve no useful end by dangerously disagreeing among our-

(Continued on page 598)

Is Conservative Investing Justified?

Roger W. Babson Says Investors Need More Vision

CHICAGO, ILLINOIS—My father was a real conservative. He voted the straight Republican Ticket, stuck close to home, ran his farm, served on the board of his local bank, went to church regularly and hung on to his money. Upon his death there was found in his estate a particularly choice selection of stocks and bonds. During his lifetime he successfully preserved his principal and maintained a generous income. Conservatism in investing was warranted during his time. Now, however, the picture has changed. It will progressively take far different investment qualifications to even maintain, let alone increase, capital and income.



Roger W. Babson

Investors Being Squeezed

Most current large fortunes were accumulated before the years of inheritance and income taxes, and, of course, before the decade or more of Government regulatory practices. Particularly in recent times, investors have had to contend with rising taxes, rising living costs and lower interest rates. Many investors have developed a defeatist attitude with respect to their position. There are certainly as many investment opportunities, but investors may have to throw overboard many of their former theories to take advantage of them.

Ten years ago an investor with funds conservatively divided between Governments, corporate

(Continued on page 584)

Criticizes Plan Of International Monetary Fund

National Securities And Research Corporation Lists Six Defects And Expresses View That Changes Should Be Made Before Adoption By Congress

The National Securities and Research Corporation, in "Investment Timing" Aug. 3, lists six criticisms of the plan of the International Monetary Fund recently adopted by the United Nations at the Bretton Woods, N. H., International Monetary and Financial Conference. Their objections to the plan are summarized as follows:

L. H. Bradshaw
Editor
"Investment Timing"

"1. The fund is too large for genuine stabilization purposes and would invite misuse; it would tend to discourage prudent management in member countries; it would encourage countries to continue borrowing instead of putting their affairs in order and their currencies on a sound basis.

"2. The quota system would foster the idea that countries are entitled to credit up to the amount of their quotas without much question as to proper use of the funds or their capacity for repayment.

"3. The fund is not adapted to the transition period immediately after the war, when the chief need will be for relief and long-term credit for rehabilitation and the release of blocked sterling balances.

"4. While the United States would put up about $2¾ billion as its quota, or theoretically about a third of the initial fund, actually our gold and dollars would constitute a much larger share of the dependable purchasing power of the fund, because much of the other countries' contributions would be payable in their own currencies, not freely convertible into gold and hence unreliable for international use.

"5. As the fund's holdings of dollars are exhausted, the United States will have to put up more dollars or be exposed to the charge of responsibility for the breakdown.

"6. The plan provides no adequate undertaking for currency stability or for removal of exchange controls. In addition to an initial change of 10% that member countries may make in their currency parities, a country may apply for further changes 'if essential to the correction of a fundamental disequilibrium,' not to be denied 'because of the domestic social and political policies' of that country.

"Senator Robert A. Taft has voiced disapproval of the plan, saying: 'Nearly all the real assets of the fund will come from this country. They will be dispensed by a board the control of which is held by countries whose currencies are much weaker than ours. It will not be long before all of our assets are gone and the fund is entirely made up of weaker worthless currencies. The whole of the elaborate machinery seems designed to cover up the fact that our money is, in effect, to be loaned away by a board in which we have only a minority interest."

"Dr. Benjamin M. Anderson, the economist, said that the plan would pave the way for a world inflation, pointing out that it would permit the gold content of the dollar to be changed without the consent of Congress, and that it seeks to achieve exchange stabilization without doing anything about currency stabilization."

In concluding its review of the plans for both a stabilization fund and an international bank, the National Securities and Research Corporation states that "while the international bank has not been discussed to nearly the same extent as the fund, critics assert that the objections to it from the standpoint of magnitude and credit risks are equally great and that it is even more important that decisions should not be made by a bank the majority of whose directors are debtors."

"We are in agreement as to the desirability of stabilizing international exchange and financing post-war reconstruction," the review continues. "The delegates of the forty-four nations at their recent conference evidently made a sincere effort to solve these problems. However, the two plans they evolved, indicating our actual commitment of nearly $6 billions, are not basically sound from the United States viewpoint in light of the facts brought out in criticism, and they should be changed considerably before being passed by the Congress."

H. C. Wellborn Joins Clyde C. Pierce Corp.

(Special to The Financial Chronicle)

JACKSONVILLE, FLA. — Hilliard C. Wellborn has become associated with Clyde C. Pierce Corporation, Barnett National Bank Building. Mr. Wellborn was formerly connected with Stranahan, Harris & Co., and was an officer of Investors Service Association, and in the past was head of H. C. Wellborn & Co.

Bright Possibilities

Giant Portland Cement is a low-priced stock in an industry with a bright future and offers interesting possibilities, according to a circular prepared by Lerner & Co., 10 Post Office Square, Boston, Mass. Copies of this circular may be had from Lerner & Co. upon request and also a circular on Riverside Cement class A which the firm believes is an outstanding cement stock with a dividend arrearage.

Time For Decision

Our readers will remember that the hearing on the "5% spread limitation policy" took place before the Securities and Exchange Commission on June 13 last.

After the oral argument time was allowed by the Commission for the filing of briefs, and of reply briefs, the last day for such ultimate filing falling on July 5, 1944.

Briefs were duly filed by the Security Dealers Committee, by S. C. Parker & Company, and by the National Association of Securities Dealers. The Securities Dealers Committee also filed a reply brief.

More than a month has elapsed since all the papers are in, and we think it is time a decision came down.

Of course, there are a number of elements which play a part in our belief. It is summer, a beastly hot one, and no doubt some of the Commissioners, whose duty it is to decide, may have taken vacations. On the other hand, the issues involved are of first importance to the public and to the dealers in securities. The sooner the existing state of indecision is terminated, the better for all concerned.

Under all the circumstances, what is a reasonable time for determination, is open to debate. At any rate such time is fast approaching.

Attempts to regulate over-the-counter business hit a snag in the NASD effort to enforce an "interpretation" previously sponsored by the SEC that sales of securities must bear some reasonable relation to the market price.

The term market price seems simple enough, and is easy of ascertainment with respect to securities dealt with on exchanges.

Sales, of course, are the best evidence of the market. Therefore, as to listed securities, any reputable newspaper publishing results of daily trading is evidence of market price. Here is simplicity itself, and we are informed that because such newspapers are of general circulation, available to everyone, and contain records of **actual sales**, they may be introduced in evidence in the courts as proof of market price.

The tests seem to be (1) publication of actual sales, and (2) availability to the general public.

The problem posed by the over-the-counter field is that no such corresponding information is generally available to the investing public.

Even those quotation sheets usually depended upon by the trade, contain no records of actual sales, are privately subscribed for subject to the approval of existing subscribers, and the number of listnigs are limited by the subscription price.

Clearly, such publications constitute no true evidence of the market. We have no ready cure-all for this unfortunate condition. However, this seems clear to us, the remedy does not lie in the present attempt by enforcement agencies to tamper with over-the-counter quotations through so-called "Quotation Committees."

In our opinion the NASD particularly would do well to adopt a hands-off policy, and desist in its present efforts to artificially regulate over-the-counter quotations. A free, open and ready market is always the result of supply and demand, and not the product of behind the desk enforcement agencies.

NSTA Advertising Notes

Fellow Members:

We have the ball rolling. Over $8,000 and two weeks to go. Sure we can do $10,000 gross.

Joe Phillips of Drumheller, Ehrlichman Co., Seattle, receives our sincere thanks. Swell business, Joe! Keep it up!

Ray Bernardi of Cray, McFawn & Co., Detroit, has sent in a number of advertising contracts. Looks like Detroit affiliate will be well represented.

Ernie Blum of Brush, Slocumb, San Francisco, has confirmed ads to us from the Golden Gate.

Corb Liston of Prescott & Co., Cleveland, advises that the Cleveland Securities Traders Association will be accounted for very shortly.

We have the largest "national" committee operating this year. Results so far prove real possibilities. Why don't all members of the NSTA make a resolution to immediately get behind their National Advertising Committee and make the year of 1944 an outstanding one for your NSTA Treasury? Isn't the objective worth a few phone calls on your part?

K. I. M.

Harold B. Smith, Chairman NSTA Advertising Committee, Collin, Norton & Co., 30 Pine St., New York 5, N. Y.; Alfred W. Tryder, Vice - Chairman NSTA Advertising Committee, H. T. Greenwood & Co., 123 So. Broad St., Philadelphia 9, Pa.

Agreement On Post-War Oil Policy Signed By U. S. And Great Britain

Anglo-American discussions, looking to a post-war oil policy, which were brought under way at Washington on July 25, resulted on Aug. 8 in the signing of a petroleum agreement by Acting Secretary of State Edward R. Stettinius, Jr., and Lord Beaverbrook, who led the British delegation. The agreement, which calls for the formation of an International Petroleum Commission, and the orderly development of world oil resources, is, it is noted in Washington advices to the New York "Journal of Commerce" Aug. 8, the direct outgrowth of technical Anglo-American discussions held in April, and the policy meetings just concluded. The advices to the "Journal of Commerce" by M. E. Hodgson also had the following to say in part:

"The agreement, recognizing the fact that world petroleum trade problems cannot be isolated in the producing areas held by the two governments, proposes that other interested countries enter into an international petroleum agreement. This multilateral agreement, to be arrived at after discussions with other producing and consuming countries, would establish a permanent International Petroleum Council composed of representatives of all signatory countries.

"Touching directly upon one of the old points of disagreement on oil between the United States and Great Britain, today's agreement provides that increased petroleum supplies will be derived from various producing areas of the world on an equitable basis, thereby reducing the drain upon Western Hemisphere reserves.

"Available reserves, sound engineering practices, relevant economic factors, the interests of the oil producing and consuming nations, and the full satisfaction of expanding demand will be taken into consideration in this phase of the development picture, the agreement provides.

"Six basic principles are set up by the agreement to be used as working guides in carrying out the orderly development of world reserves. These are:

"1. Adequate petroleum supplies shall be available to the nationals of all 'peaceable' countries at fair prices and on a non-discriminatory basis, considering, of course, military security and any provisions for peace and non-agression which may be in force.

"2. Development of oil resources and the benefits received by the producing countries shall be used to encourage the sound economic advancement of these countries.

"3. Development of petroleum reserves shall be conducted with a view to the availability of adequate supplies of petroleum to both countries as well as other 'peaceable' countries.

"4. Equal opportunity shall be respected by the U. S. and Britain in acquisition of exploration and development rights in countries not now under concession.

"5. The two governments and their nationals shall respect all valid concession rights and shall make no effort unilaterally to interfere directly or indirectly with such rights.

"6. Exploration, development, construction and operation of refineries and other facilities, and the distribution of oil shall not be hampered by restrictions imposed by either Government or its nationals.

"Although these broad principles should effectuate the aims of the two governments in regard to world petroleum development, the agreement points out that numerous problems of immediate mutual interest necessitate the formation of an International Petroleum Commission.

"This Commission will be composed of eight members, four members to be appointed immediately by each government, and will serve in an advisory capacity to the United States and the United Kingdom on oil problems. The expenses of the body will be shared equally by the two countries, according to the agreement."

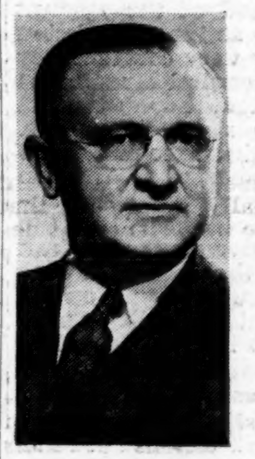
A previous item in the matter, noting the arrival of Lord Beaverbrook for discussions of the subject appeared in our July 27 issue, page 411.

Industry's Post-War Responsibilities

By THOMAS B. McCABE*
President of the Scott Paper Company

Prominent Industrialist Traces the Plans and Accomplishments of the Committee for Economic Development, and Points to Need of Building Up of "Peace-Time Mass Consumption to Take the Output of Our Industrial Machine"—Holds Chief Problem Will Be the Restoration and Development of Markets Through Better Distribution and Sales Work

There were good reasons to believe that industry should take the initiative because of its war performance. Beginning in the middle of 1940 industrialists by the hundreds had answered the call of the Government to go to Washington to assist in the war production program. The cooperative effort of government, industry and labor had resulted in a production miracle with the attainment of the highest level of productivity and employment in our history. Men like Stettinius, Nelson, Wilson, Batt, Knudsen, Harriman, Johnston, and scores of others, have displayed outstanding ability as public servants and have assisted in bringing industry closer to government and government closer to industry. These men will be of inestimable value in assisting with plans to create a better environment in the post-war period.



Thomas B. McCabe

This is a war of materiel, and this country has become the arsenal of the United Nations. Without us Russia, with her giant army, or Great Britain or China would not have been able to withstand the German and Japanese war machines. This Arsenal of Democracy was created by Amer-

*Address delivered by Mr. McCabe before the 1944 annual meeting of the Committee for Economic Development, Chicago, July 13, 1944.

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Urges "Controlled Decontrol" For Post-War Collaboration

Prof. J. B. Condliffe in Pamphlet Issued Under Auspices Of Committee On International Economic Policy Sets Up Grounds For Restoring World Stability

The Committee on International Economic Policy, of which Winthrop W. Aldrich, President of the Chase National Bank, is chairman, has issued, in cooperation with the Carnegie Endowment of International Peace, a pamphlet entitled "The International Economic Outlook," written by John B. Condliffe, Professor of Economics in the University of California. This is the second of a series of studies prepared for the Advisory Committee on Economics of the Committee on Economic Policy and, although published by the Committee, the views expressed are those of the author.

A Plan of Economic Cooperation Essential

After pointing out that post-war economic and political conditions are unpredictable at this time, and that remedies for restoration will depend largely on the duration of the war and the disruptions prevailing in both allied and enemy nations, Prof. Condliffe considers that "it is essential to look ahead now and consider what steps will be necessary to create again a workable system of international economic cooperation." He, therefore, in his paper "attempts a preliminary survey of the more important questions which will call for constructive economic statesmanship when the war ends. Statesmanship, if it is to be constructive, must strike a balance between utilizing what is tried and proven in past experience and adapting that experience so that it may be applied to the changed circumstances of the post-war world. In the confusion and complicated detail of urgent post-war situations it is well to remember that the essential principles of economic organization are relatively simple.

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J. H. Kolb In Denver
(Special to The Financial Chronicle)

DENVER, COLO.—J. H. Kolb, Jr. is engaging in a securities business from offices in the Denver National Bank Building.

Public Utility Securities

Customers' Refunds Out Of Excess Profits Taxes

Residential rates charged by utilities have decreased from an average of 8.70 cents per kwh. in 1913 to 3.60 cents in 1943. The rate of decline was quite steady during the period 1925-1940, averaging about 4% per annum — though it increased slightly after the New Deal came into power. Since 1940, however, rates have tended to level out with a decline of only 2 or 3% a year, due to rising costs and taxes. Had taxes remained the same in relation to revenues as in 1940 — instead of increasing from 17.7% to 24.5% of gross — the customary 4% rate of decline could just about have been maintained — despite the fact that the residential load could not be stimulated during war-time by sale of household appliances.

Some time ago someone in Detroit had the bright idea that rate cuts could be continued by taking them out of Federal taxes. If the utility did not make so much money its Federal tax burden would be lighter, and consumers would reap the benefit. Back in 1942 the city attempted to make Detroit Edison refund customers $8,000,000 which was later changed to a $4,000,000 refund and a 25% rate cut. But the Public Service Commission of Michigan, surprisingly, turned down the city plea (although it was backed by the OPA in Washington). The Commission held that rates were reasonable and that excess profits taxes must be construed as an operating cost. But the Supreme Court of Michigan decided this year, in a 4-to-3 decision, that the Commission "completely ignores its discretionary authority to exclude those items of public utility operating expenses which place an undue burden on the consumer." In other words, the Court assumed that Federal wartime taxes were taken out of the consumer. In so reasoning, the Court apparently ignored the fact that the Detroit utilities had not raised rates to residential consumers, and that the reason they paid excess profits taxes was that industrial companies with substantial war business were using (at very low rates) substantial blocks of power. Thus the Federal Government was, in effect, partially recouping itself in taxes from the huge amount it was spending for war products in that city.

Meanwhile, the city wanted to make doubly sure that they would get the money from the utilities, so it imposed a 20% tax on the utilities' gross revenues. While the law was not passed until the end of November, it was made retroactive for the calendar year 1943. This tax was immediately taken to the courts. And recently the State Commission, ignoring this move by the city and carrying out its "orders" from the State Court, ordered Detroit Edison to rebate $10,450,000 to consumers and directed other utilities to prepare for possible similar orders.

Sometime ago, Detroit Edison stockholders and directors made Prentiss M. Brown, formerly head of the OPA, chairman of their board—possibly in the hope that he would find a way to circumvent the campaign against rates. This move did not bear fruit. Mr. Brown recently remarked "neither the ratepayers nor the city can get this Federal money without taking from Edison a part of the funds we desire to retain to carry us over the post-war period of adjustment. As it now stands, by reason of the Commission's decision, the city and the ratepayers both take the money, some ten million dollars each unless the city tax is declared invalid. The Commission must have assumed the tax was invalid. We do not know what the courts will do with it."

Meanwhile, the Michigan idea has been spreading rapidly among municipalities and states. The Cleveland city council ordered a $1,200,000 rate reduction and Cincinnati is reported making a similar move. Similar plans have been reported in Oregon, Georgia, New Jersey and California. President Sachse of the California Railroad Commission stated "these (excess profits) taxes are not paid by the utilities out of their profits but are paid by the patrons of the utilities as an operating expense in addition to the profits which are allowed the utilities in the fixing of the rates as a 'fair return. . . . The utilities are in a position to transfer such war taxes to the ratepayers and to add this tax burden to the private individual's own tax burden."

A more unfair statement, from the utility standpoint, would be difficult to imagine. The average revenue which Pacific Gas & Electric (biggest Californa utility) received in 1943 per unit of output dropped to 1.38c compared with 1.50c in the previous year. The company did not increase rates, but lowered them as it had been doing right through the wartime period. The reason why it was paying heavy Federal taxes was that it operated at near-peak capacity, with heavy wear and tear on facilities, to supply industrial power for war operations.

A more reasonable attitude was displayed by the Utility Commission of Connecticut, which in its recent report stated: "Some commissions have ruled that all taxes, no matter the caption under which paid, are legitimate operating cost. Other commissions, notably the Federal Communications Committee, have decided that only taxes of the pre-war level should be included in operating cost and that any additional taxes over and above the old rates should fall properly upon stockholders as their contribution to the war effort. Still other commissions, as that in the District of Columbia, have attempted a compromise. . . . It has seemed to this Commission that the realistic approach and the equitable solution lie in the inclusion of all taxes assessed against utility operations as operating cost. It follows from this conclusion that the rate of return of a utility corporation in a period of war should reflect inclusion of war taxes as an operating cost. In other words, what constitutes a proper rate of return varies, depending upon whether taxes have or have not been permitted as operating cost. The acid test, from the long range view, is the need of allowing invested capital a rate of return that will insure adequate service to customers. This criterion may be ignored from a short time point of view, but in the long run its acceptance is necessary for the protection not only of investors but also the consuming public."

While the Connecticut opinion would apparently also encourage temporary refunds out of Federal taxes, the use of net return as a yardstick, instead of the amount of taxes (which as the commission points out, may vary considerably with different capital structures) is a fairer method, though the net result may be much the same. What all of these commissions neglect to emphasize is that in helping the consumer at the apparent expense of Uncle Sam, the utility stockholder must also fork over $14\frac{1}{2}\%$ of the refund or rate cut (or 60% if there is no excess profits tax). But the utility stockholder seems to be the "forgotten man."

Donald M. Palmer Now With Lester & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Donald M. Palmer has become affiliated with Lester & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Palmer was formerly with Morgan & Co. and its predecessor, Cavanaugh, Morgan & Co. Prior thereto he was an officer of Nelson Douglass & Co.

Attractive Situations

Ward & Co., 120 Broadway, New York City, have prepared circulars on several situations which currently offer attractive possibilities, the firm believes. Copies of these circulars, on the following issues, may be had from Ward & Co. upon request.

Du Mont Laboratories "A"; Merchants Distilling; Crowell-Collier Publishing; P. R. Mallory; General Instrument; Long Bell Lumber Co.; Great American Industries; Mid-Continent Airlines; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Electrolux; Purolator; Brockway Motors; Mohawk Rubber, Moxie, Scovill Mfg., and American Export Airlines.

W. V. Smeaton Dead

William V. Smeaton died at his home at the age of fifty-nine. He had been engaged in the securities business in Milwaukee for many years.

Denies FDR Accorded "Unlimited And Indefinite Controls"

Senator Samuel I. Jackson, Democrat, of Indiana, in addressing the Connecticut Democratic State Convention at Hartford, Conn., on Aug. 5, while defending the liberal legislation program of the Administration, took occasion to deny that Congress, in its recent legislation, has been giving the President, "certain controls, unlimited and indefinite as to time."

Sen. Samuel Jackson

"Less than sixty days ago," Senator Jackson stated, "the greatest military expedition of all time crossed the choppy waters of the English Channel and landed on the beaches of Normandy.

"There was launched the genius, the sacrifice and three and one-half years of the toil of our people.

"That flotilla of four thousand ships and eleven thousand aircraft carried the best trained and best equipped soldiers we have ever sent to war.

"They are neither Republicans nor Democrats. They are not interested in politics. But they want to see the Stars and Stripes above Berlin (and Tokyo, too, for that matter). Then they want to get home. And then they want to be assured that we have put an end to this succession of murderous conflicts.

"They want another thing. They want economic post war security. This administration has laid down early outlines for post war reconstruction according to the Baruch Report. Part of that plan has already been turned into law for the cancellation of war contracts, settlements, and plant clearance. This highly industrial state will soon be reassured by further legislation fostered by this administration looking toward the disposal of surplus commodities and the careful readjustment of millions of industrial workers. Human demobilization, plant demobilization, and surplus property legislation is now under active consideration and will be before the Senate next week. The G. I. Bill, already law, takes care of the rehabilitation and readjustment of the returning veteran.

"And right here let me make the observation that the Republican Party has sought to create the impression that because of the war, Congress and the administration have deliberately undertaken to fasten upon the people, by grants of extraordinary power to the Executive, certain controls, unlimited and indefinite as to time.

"Not only is this not true, but on the contrary by the very language of these Acts themselves the exercise of any perpetual or protracted unusual controls is specifically prohibited.

"Every grant of extraordinary power carries with it its own limitation as to time, as witness: lend-lease, stabilization and war power legislation.

"All such extraordinary powers expire by lapse of time unless renewed by the Act of Congress. Congress, also, has retained the right to terminate these powers at its own will by concurrent resolution of the two bodies, not requiring the approval of the President.

"This administration demonstrated by a program of economic relief and social reform, both long and broad, that it has the knowledge, vision and courage to achieve a sound reconstruction. Industry, on its own efforts, will do much to absorb the ten million men when they return and to reconvert to peace time production, transportation and assimilation of goods. But industry and organized labor, great as their achievements may honestly and wisely be expected to become, will sorely need to be complemented by the hands of a sound and experienced governmental administrator.

"So, while we await the outsome of our soldiers' long, hard march to Berlin, now in the midst of their rendezvous with destiny, let this convention resolve to guarantee to them their best hope for an early victory, a permanent peace, and a secure post war economy."

TWA Smashes Previous Volume Record For 2nd Consecutive Month

Smashing all previous cargo records for the second consecutive month, Transcontinental & Western Air, Inc., reported today that the airline increased their mail and express volume, out of LaGuardia Field, by 44% during July, carrying more than 2,500 tons of air cargo, as compared with July, 1943. Stanley E. Russ, Eastern Regional mail and express traffic manager, announced that preliminary figures reveal that TWA carried 265,000 pounds of mail and 240,944 pounds of express, during the month, exceeding the line's previous record, set in June, by 12,899 pounds.

Mr. Russ pointed out that the increased volume is primarily due to two factors. Continued operation of two daily cargo flights have been of material aid in setting the current records, he reported. The use of these facilities as well as the use of additional facilities made available on passenger ships recently returned to the airline by the Army, have afforded greater cargo capacity to air shippers, Mr. Russ added. The cargo manager pointed out that as a result of the increased facilities non-priority shippers are, more and more, utilizing the additional space made available.

In June, Mr. Russ said, TWA carried 493,045 pounds of mail and express, which, at the time, set a record.

The July total of 505,944 pounds, or more than 2,500 tons of cargo, exceeds July, 1943, by 156,810 pounds. In that period, TWA carried 153,247 pounds of express and 195,887 pounds of mail.

The preliminary figures also indicate that during the record month, an all-time daily high was set when the airline's two cargo flights carred a total of 13,131 pounds out of LaGuardia Field. The Sky Express, which leaves the airport at 2:15 a.m., for the West Coast, carried 6,517 pounds of mail and express, and the Dearborn Express, which leaves New York at 5:00 a.m., carried 6,614 pounds of cargo. Regular passenger flights that day carried 9,835 pounds of cargo, making a total tonnage for the day of 22,966 pounds or more than 11 tons of mail and express.

Mallory Interesting

P. R. Mallory & Co., Inc., offers an interesting situation, according to an analysis prepared by Steiner, Rouse & Co., 25 Broad St., New York City, members of the New York Stock Exchange. Copies of this analysis may be had from Steiner, Rouse & Co. upon request.

War And Gold—A Russian View

By Y. VINTSER*

Russian Writer Reviews The History Of Gold Reserves And Gold Production Since First World War, And Points Out That If Free Market For Gold Existed, A Large Part Of U. S. And British Reserves Would have Moved To India And Other Countries—Holds That The Role Of Gold As A Measure Of Value Will Inevitably Be Maintained As Long As Production Of Goods Is Maintained

On the eve of the last World War the gold standard functioned in most of the large countries and gold coins were in circulation; the second World War however was started in conditions when paper money was in circulation. Already before the present war began most gold was concentrated in central banks and state reserves which were generally secret, and only a small part was held by private owners. But this part of the gold was requisitioned by the governments at the very beginning of the war, and in this way nearly all gold was placed in centralized stocks.

At the begnning of the war the gold reserves concerning which information was available were distributed as follows:

Centralized Gold Reserves At The End Of August, 1939

(In millions of "new" dollars)

("Federal Reserve Bulletin," December, 1939, pp. 1042, 1134; December, 1941, p. 1222)

U. S. A.	16,640
England	2,038
Canada	215
British India	274
Egypt	55
New Zealand	23
Union of South Africa	222
Mexico	29
China	21
Brazil	35
Colombia	20
Denmark	53
France	3,000
Holland	770
Belgium	614
Czechoslovakia	60
Greece	28
Norway	107
Poland	84
Yugoslavia	57
Java	88
Germany	150
Italy	193
Japan	164
Bulgaria	24
Hungary	24
Rumania	148
Switzerland	585
Sweden	355
Spain	525
Portugal	69
Turkey	30
Argentina	431
Chile	30
Peru	19
Uruguay	68
World total all countries (excluding U. S. S. R.	27,325

During the war big changes have taken place in the distribution of gold reserves.

The basic fact in the redistribution of gold was its further concentration in the U.S.A. The U.S.A. gold reserve during the war (at the end of September, 1942) rose to 22,754 million dollars, i.e. by 6,108 million dollars by 36.7% (in 1913 the centralized gold reserve of the U.S.A. was only 1,290 million "old" dollars or 2,184 million "new" dollars). In this connection it should be borne in mind that only 505.7 million dollars of this amount was obtained by the U.S.A. Treasury from gold mined in the U.S.A.; therefore 5,602.3 million dollars consisted of gold acquired by the U.S. Treasury either by way of import or by purchase of foreign gold already deposited in the U.S.A. before the war. ("Federal Reserve Bulletin," November, 1942, p. 1114).

From September, 1939, to August, 1941, England spent gold amounting to 1,887 million dollars, with the result that her gold reserve was reduced to 151 million dollars. ("Federal Reserve Bulletin," December, 1941, p. 1222).

Nearly all the gold spent by England in the course of the war was sold to the U.S.A. Treasury, and the dollars thus realized went to pay for England's military orders in the U.S.A. Simultaneously the U.S.A. Treasury brought considerable amounts of gold coming in from other countries of the British Empire. The actual U.S.A. gold imports for the period September, 1939, to the end of 1941 (from the beginning of 1942 the publication of figures was stopped) comprised 3,539 million dollars from Canada, 500 million dollars from South Africa, 84 million dollars from British India and 204 million dollars from Australia. ("Federal Reserve Bulletin," December, 1939, p. 1104; November, 1942, p. 1159). Most of the gold imported by the U.S.A. from Canada consisted of English gold (it entered the U.S.A. via Canada in transit) and has already been considered above. How much gold was obtained by the U.S.A. from Canada directly is not known. Gold mined in Canada during the period September, 1939 — August, 1942, amounted to 548.5 million dollars, in South Africa to 1,484.4 million dollars, in British India to 30.6 million dollars and in Australia to 156.3 million dollars.

As the gold obtained by the U.S.A. from countries of the British Empire had current mining as its source of supply, the gold reserve of several of these countries has not decreased, and in some cases has even increased. Thus, the gold reserve of British India has remained at the level of 274 million dollars, and the gold reserve of South Africa had increased to 551 million dollars by the end of September, 1942, i.e. by 329 million dollars or 150%. The gold reserve of New Zealand has remained unchanged.

There should be a considerable decrease in Canada's gold reserve, but no figures concerning it are being published. Egypt's gold reserve remains approximately at its pre-war level.

The U.S.A. Treasury did not obtain gold from countries of the British Empire only. It is impossible for us to ascertain how

*Translated from the Official Soviet magazine "World Economy and World Politics," Nos. 1-2, 1944.

(Continued on page 594)

Are Railroad Bonds "War Babies"?

By WHITMAN C. HAFF

It is the mistaken belief of many people that Railroad Bonds are not in the post-war class of securities, yet, if close consideration was given to this question it would be found that just the opposite is the case.

Recently the president of one of the largest railroad systems in this country stated that, in his opinion, railroad earnings will continue large for at least seven years after the war, although they may be reduced to about 60% of present earnings. This statement is undoubtedly based and figured out on many real facts, the most important of which, perhaps, is the very heavy debt reduction that has been made in the financial structures of most of the larger systems and many of the smaller roads as well. Of course this huge debt reduction will be of tremendous help after the war and if earnings are 60% of present earnings they will be far more easy to maintain.

Back in 1937, with large debt structures, railroad bonds were selling at very much higher prices than they are today. Many were still in the process of reorganization or receivership. A large number of these roads are already out of receivership and many will be, perhaps, before the war is over.

All these facts go to prove that the railroads are immensely better off but let us see how earnings are going to keep up to 60% of present earnings after the war. There are many facts to back up this statement. For one the rebuilding of Europe which undoubtedly the United States will be called upon to supply an immense amount of materials of all kinds, the demand for new automobiles of which it has been stated that orders have already been placed for over two million cars, and the building industry of which it is said that New York City alone will spend over a billion dollars, over a short period of time, for immense amount of materials. If New York City spends this huge amount for building and building materials certainly large cities like Chicago, Boston, San Francisco and many others will do the same.

Millions of other products, upon which priorities will have been released, will be shipped for both foreign and home consumption. Of course, after the war is over, Government movements of troops and material will gradually slow up, but it will take sometime to demobilize, while we are demobilizing the business world will be "mobilizing" millions of products which we have not enjoyed having since the war started.

Until other means of transportation can be found to carry large tonnage such as the railroads do, railroad transportation will continue on a large scale for many years to come. It is needless to say that nothing has been more helpful to the railroads than the war as it has practically cleared up their financial difficulties and helped them meet the future with their "decks almost clean." Therefore war conditions have immeasurably helped the railroads to meet peace conditions.

New York Stock Exch. Borrowings Down In Month Of July

The New York Stock Exchange announced on Aug. 4, 1944, that the total of money borrowed as reported by Stock Exchange member firms as of the close of business July 31, was $786,574,524, a decrease of $77,404,979 over the June 30 total of $863,979,503.

The following is the Stock Exchange's announcement:

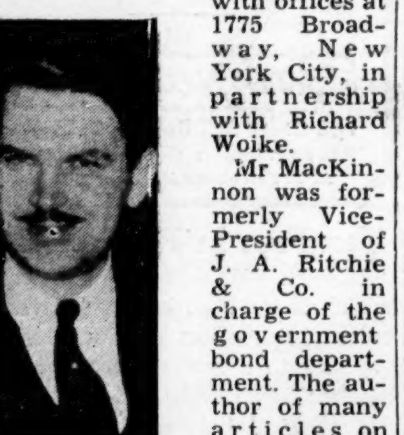
The total money borrowed from banks, trust companies and other lenders in the United States, excluding borrowings from other members of national securities exchanges, (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government, $276,387,651; (2) on all other collateral, $510,186,873; reported by New York Stock Exchange member firms as of the close of business July 31, 1944, aggregated $786,574,524.

The total of money borrowed, compiled on the same basis, as of the close of business June 30, 1944, was (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government, $346,306,718; (2) on all other collateral, $517,672,785. Total, $863,979,503.

Donald MacKinnon Is Forming Own Company

(Special to The Financial Chronicle)

Donald A. MacKinnon is forming Donald MacKinnon & Co., with offices at 1775 Broadway, New York City, in partnership with Richard Woike.



D. A. MacKinnon

Mr MacKinnon was formerly Vice-President of J. A. Ritchie & Co. in charge of the government bond department. The author of many articles on governmental obligations, he was Vice-President of Bondex, Inc., in the past.

The Business Man's Bookshelf

Along The Line In Ohio—The Nickel Plate Road, Cleveland, O. —paper.

Post-War Monetary Standards (A Symposium) — Monetary Standards Inquiry, Graybar Building, New York City—paper —50¢ (in U. S.); 75¢ abroad.

System of Financial Administration In India—P. J. J. Pinto—New Book Company, 188-90 Hornby Road, Bombay, India—cloth—Rs. 15.

Interesting Situation

H. R. Baker & Co., Russ Bldg., San Francisco, Calif., have available an interesting report on Fireman's Fund Insurance Co. Copies of this report may be had from the firm upon request.

Real Estate Securities

By JOHN WEST

On June 1 in this column, we advised caution in the purchase of real estate bonds in the Garment Center Section of New York on the theory that a ultra-modern building was planned for construction in this section immediately after the war end. We expressed the opinion that this building would draw tenants away from other buildings.

. . . Last week according to the New York "Times" the landlords of 19 buildings in the Garment Center (of which 10 have bond issues) were so cognizant of the threat to present occupancy of their own buildings in this neighborhood that they combined in an unsuccessful effort to lease the ground plot on which the new building is expected to be erected in order to prevent its construction.

* * *

Our farecast of a 3 point extra interest payment on 870—7th Avenue (Park Central Hotel) 4½% bonds on Aug. 1 has become a reality. . . . When we recommended these bonds on May 13, 1943, less than a year and three months ago, a $1,000 bond could have been purchased for $450. Since that short while ago these bonds have paid a $137.50 per $1,-000 bond in current and accrued interest reducing the cost of the $1,000 bond to $282.50. . . . Bonds are now $570 bid for $1,000 bond.

* * *

At the risk of bending our arm with a little self back slapping, we would like to compare current prices with the prices of a few real estate bonds first recommended in this column Dec. 31, 1942. . . . Governor Clinton Hotel now 63 then 23. . . . Lexington Hotel 84 then 52. . . . St. George Hotel now 59 then 42 and hold your breath — Waldorf Astoria bonds now 39¾ then only plan 4½.

* * *

The unusually excellent experience of real estate bond selection by this column makes us reluctant to make new suggestions in view of present unsettled conditions. Opinions vary as to New York Real Estate post-war. . . . Government leases are supposed to approximate 10% of commercial building space . . . added to this is the possibility of OPA ceiling prices being extended to include commercial buildings. The writer feels that post-war activity will absorb vacated Government leases. . . . If OPA regulations are not strict this vacated space should bring higher rentals. . . . Government does not pay very high rentals for space occupied. . . . Good hotel business is anticipated for at least a few years after the war.

* * *

Interesting situations worth while watching are 42 Broadway Bonds (Broadway New 4s, 1961) Trading flat. An interest payment of 4% is expected Sept. 1. . . . We also anticipate a good sinking fund in this issue either this or next month. . . . Broadway Motors Building have announced a fund of $50,000 to be utilized to purchase bonds on Aug. 14.

* * *

A low price speculation is the Broadway Barclay 2s 1956. . . . Selling at 28 they paid additional interest this past June and also operated a small sinking fund at the same time. . . . Barring any drastic change in rental conditions we look forward to a much larger extra interest payment next year and also a larger sinking fund. Fixed 2% interest offers over 7% yield at current market prices.

* * *

For a high yield the First and General Mortgage 165 Broadway 4½% bonds seems worth a gamble. Paying 4½% fixed interest, bonds may be purchased at about 40¾.

* * *

If, in a speculative mood, Gramercy Park Building might be worth some attention. Current market 22-3. Paid 2% in 1943 and 1% so far this year. Bond issue of $1,691,500 selling at 23 amounts to $389,045 add to this first mortgage of $150,000, places a value of $539,045 for the property assessed at $785,000. Bonds carry stock representing 100% of the ownership.

Mrs. Roosevelt Advocates Compulsory Military Training After War

Mrs. Franklin D. Roosevelt, speaking at a luncheon given in her honor at the Horace Mann-Lincoln School in New York City on August 3, advocated compulsory military training after the war for both girls and boys, beginning at 18 years, saying that the training should emphasize citizenship responsibility. The New York "Times" of Aug. 4 in reporting this added:

"If we're going to have compulsory military training after the war," Mrs. Roosevelt declared, "then it should be for boys and girls and it should provide training in citizenship responsibility. Our youngsters must all get it into their minds that they have a responsibility to their country, and they should spend that year or so in developing such a knowledge within themselves. Boys and girls have to have the feeling that they've done something for the community. Schools have fallen down terribly in giving children ideas about practical self-government."

Speculative Appeal

"MOP" general 4s of 1975 offer interesting speculative potentialities, according to a circular on the situation issued by McLaughlin, Baird & Reuss, One Wall St., New York City, members of the New York Stock Exchange. Copies of this circular may be had from the firm upon request.

Conservative Investing Justified?

(Continued from page 579)

bonds, preferred stocks and common stocks could count on a return of 4.75%. From this a married man with no dependents would pay about .82% in taxes, leaving a net return of 3.93%. Today these same securities while showing an increase in value of 1.66% would yield 4.43% and taxes would amount to 2.28%, leaving a net yield of only 2.15%. It is obvious that investors must forget certain orthodox methods of investing but still cling to broad diversification.

Market Trends Superseded

Conservative investors have long been accustomed to making a choice of "blue chip" securities and then sitting tight. For the successful management of their portfolio they have depended upon correctly forecasting general market trends. The trend of market averages still plays a part in determining security values. The most important consideration in portfolio management should be the minute and continued study of relative values among individual securities and groups.

For example, as a group, most bonds and many preferred stocks are too high today, but there is no indication of immediate rising money rates to indicate any change in the near future. Common stocks in relation to earnings are about "average" in price and the return from fixed income securities is still attractive. Thus, it is okay to keep normally diversified between bonds, preferred and common stocks. Yet, we all know that in individual instances certain of these securities will rise substantially and others will decline regardless of market trends.

Seek Special Situations

From a tax standpoint, many investors would be better off by avoiding income securities in favor of capital appreciation bonds and stocks. A portion of every portfolio should be set aside for investment in "special situations." Perhaps the most outstanding of these have been in reorganization railroad bonds. However, every other industry, such as merchandising, financing, chemicals, paper, bus transportation, oil, electrical and so on, has shown in specific instances large capital gains.

The investor should be continually on the watch for outstanding attractive situations which will be better than average market performers. Certain preferreds with large dividend arrears are well set for gains. In every group, little-known companies as contrasted with "popular" companies may turn out the best. Companies with no outstanding debt, whose capitalization consists solely of a relatively small number of common shares, are particularly good. Investors should pay less attention to security ratings and more attention to indenture terms in the case of bonds and to issue provisions with respect to the rights of common and preferred stockholders.

Situations of Interest

F. H. Koller & Co., Inc., 111 Broadway, New York City, have prepared a memoranda on Great American Industries, Laclede Christy Clay Products and Indiana limestone which the firm believes appear attractive at current levels. Copies of these interesting circulars may be had upon request from F. H. Koller & Co.

Tomorrow's Markets Walter Whyte Says——

Reaction through previous lows intensifies pessimism. Early end of war also adds to bearishness. Theory that industry will be hurt by termination of hostilities now widespread.

By WALTER WHYTE

Since last week's column was written the market has again turned around and in some cases broken through the lows of July 22. Accompanying this reaction has come news from the fighting front when our forces broke through the German lines in Normandy, entered Brittany and at this writing are traveling the road to Paris. This news intensified bearishness on the theory that as, we were unprepared for war in 1941, so are we apparently unprepared for peace. That section of the public which is swayed by emotions and by what they read believes that industry is in no shape to withstand an end to hostilities and has begun selling all over again. Whether this selling will bring out important liquidation remains to be seen. But if tape action is any indication of the immediate future this breaking of previous lows does not point to a revival of important selling.

* * *

Offhand it is difficult to give any sound reason for this belief. As a matter of fact the phrase "sound reason" is quite foreign to the stock market. For the market is seldom, if ever, concerned with reasons, sound or unsound. This doesn't mean that prices move on instinct. On the contrary, the waves and ripples that make up market movements are a reflection of the belief of the initiate in the future. It isn't until this belief is substantiated by actual events that the outer fringe of the speculative public comes in. It is at such times that "reasons" are widely circulated.

* * *

Last week I saw what I believed was an increase in the quality of buying. You will recall that two weeks ago, after the first market crack, I advised re-entering the market. I gave stocks and the prices at which I thought they should be bought. Last week, in reviewing the action of the market, I came to the conclusion that I was too pessimistic. So I recommended that prices be raised.

* * *

In the latter part of last week (after last week's column had gone to press) the market nose-dived and a number of the stocks suggested

(Continued on page 597)

"Plan For V-Day Now"

(Continued from first page)

many? We can't estimate exactly. But various forecasts have been made that the successful conclusion of the war with Germany will cut our war production requirements 30 to 50%. On this basis, I believe it is a fair guess that three to five million jobs will be affected. In addition to the men thrown out of employment by cutbacks in war production, the soldiers will start coming home—not suddenly but far more quickly than most of us realize. I believe it is reasonable to assume that with the defeat of the Nazis, our armed forces will be in a position to release several million men.

V-Day will bring a repetition of our experience following A-Day. But instead of a partial cut-back in our war production and a partial demobilization of our armed forces, V-Day will bring cancellation of practically all remaining war contracts and the demobilization of all but two or three million of our service men.

Some people are suggesting that we should first concentrate on the A-Day problems and then worry about the bigger problems of V-Day. To me that sounds like a "makeshift" approach. Rather, I would urge sound comprehensive plans **now** for V-Day—for the end of the war. Our A-Day plans should be a part of the bigger job.

Here is why I say that: Suppose you are an individual company doing war work. As far as you are concerned, you don't know when you are liable to get one of those telegrams telling you to stop or cut-back your war production immediately. Your part of the production for war may be over on A-Day. V-Day, or anywhere in between. For that matter, plenty of war contracts are being cancelled right today.

That is one reason why I say plan for V-Day now. There is another important reason why we should have our plans ready. Obviously, with uncertainties as to what specific contracts will be cancelled first—plus the further uncertainties as to when the green light will be given for the resumption of specific types of civilian goods—the only safe course to follow is for **all** individual companies to have their V-Day plans ready.

If this is done we will avoid unnecessary unemployment. We shouldn't lose a day or even an hour in making the shift from war to peacetime production. Hours and days during this reconversion period will be precious. At best the temporary unemployment will be hazardous. There is a psychological front in winning the peace just as there is in winning the war. If too many men wait too long to get back to work, it will be an invitation to political panaceas which would abort our opportunity to achieve a sound post-war economy.

In the final analysis there is only one kind of planning currency that will pay off, either on A-Day or V-Day — and that is jobs. We in C. E. D. believe that our post-war employment goal must be 7 to 10 million more well-paid productive jobs than we had in 1940. And there is only one sound way to get those jobs. That is through the attainment of a new high-level in our output of goods and services — a level 30 to 45% above that for the record-breaking year of 1940.

Obviously a healthy post-war business expansion will depend on many factors — government policies, labor policies and business policies. All must be aimed in the same direction. But first and **foremost**, expansion calls for bold smart plans by America's two million business employers. That's where it all must start, and those are the plans we have been talking about. Those are the same plans we must have **ready to go into action** on A-Day **or** V-Day.

Now let's take a closer look at those plans. We said they must provide for expansion of production, distribution and consumption of 30 to 45% more goods and services in order to create the new jobs we need.

About our actual physical ability to expand production there can be no question. We're demonstrating right now that we can produce almost twice the volume of goods and services that we did in 1940 — and we thought then we were achieving some kind of a record.

Our job on the productivity side is to see that we plan new products, improve old products, reconvert and expand our peacetime facilities to meet our estimated goal of something like one-third more than our 1940 output.

However, plans to expand the output of goods and services are futile unless we have customers with unsatisfied wants, the money to gratify these wants, and a willingness to part with that money. In order to maintain high level production we must have continuing high level consumption. At present our wants and needs are pyramided to an all-time high, and are backed up by an all-time record accumulation of **potential** purchasing power. Private savings are nearing the hundred billion dollar mark.

But on this matter of savings, I want to sound this warning. Let us not be fooled by the simple fact that savings will be at a record level when this war ends. Savings are static. They become dynamic as purchasing power only when those who have them also have a reasonable promise of continuity of income — in other words, a well-paid productive job. This simply underscores the vital importance of having **jobs** ready without delay. With a satisfactory post-war employment situation, America's savings will become dynamic very quickly.

But jobs alone are not enough. They must be productive, and they must be well-paid. Any idea that, once the war is over, we should **go back** to a pre-war standard of living is at variance with our whole progressive American tradition. We cannot and must not go back to pre-war levels of production, of employment, — nor to pre-war levels of wages.

But labor must understand that the surest way to increase the annual wages of the worker is through an increase in the annual output per worker. That doesn't mean a speed-up or a working of man's muscles harder. It does mean that we must take advantage of every mechanical and technological advancement which helps manpower become more efficient.

The history of the company of which I am President illustrates perfectly the point I am making. In 1870 Studebaker employees were making 17 cents an hour — an annual wage of slightly under five hundred dollars. The annual output per worker was approximately eighteen hundred dollars. After payment of expenses, the Studebaker profit per employee was less than fifty dollars per man.

In the 38 years between 1870 and 1908, there was very little mechanization in our plant. The three thousand "hands" as they were then called — and rightly so because the work was almost all manual — made an annual wage of $624 per man. The annual output had increased during this same period only slightly — up to twenty four hundred dollars. But between 1908 and 1937 a revolution in manufacturing methods took place. Studebaker in that period invested almost forty million dollars in machinery—thus bringing machine power to the aid of muscle power. In 1937 annual earnings per man, for two thousand hours of work as against more than three thousand hours in 1908 were eighteen hundred dollars. The hourly rates per man had increased four-fold; annual earnings had more than trebled; output per man had more than doubled.

Perhaps it is worth adding that in 1908 the pride of the Studebaker line was the Studebaker-Garford limousine, selling for five thousand dollars. In 1937 the Studebaker Commander, comparable in size to the Studebaker-Garford of 1908, but infinitely superior in quality, in precision workmanship, and in luxury, sold for only twelve hundred dollars.

I think the conclusion is inescapable that labor must join with management in supporting policies which foster an expanded productivity. Never was this more clearly shown than in a recent statement by Dr. Robert D. Calkins, Dean of the School of Business at Columbia University.

Dr. Calkins said that "this war is demonstrating that labor has relatively more to gain by increasing the **national product of industry** than by increasing **labor's share** of an **average** product produced with **average** efficiency and **average** effort." He supported that statement with the following figures: "Wage earners received 54% of the gross national product in 1940. Their share was $52 billion out of a total of $97 billion. In 1943 the national output increased to the staggering sum of $186 billion, or $151 billion expressed in 1940 prices. By this expansion of output, employees increased their income from $52 billion to $85 billion, both expressed in 1940 prices. Thus, labor's share of the gross product rose from 54% to 56%. But it may be noted that of the $33 billion improvement in the income of the workers, $30 billion accrued because of the **enlargement of national output** and only $3 billion accrued as a result of the increased 2% in the **share** going to employees." In short, labor got $3 billion more from collective bargaining — $30 billion more from increased production.

And now let's consider the part that distribution has to play in achieving high level consumption. At no place in our economy is there a greater need for bold, aggressive planning. During the war period half of our production has gone to one customer. On the homefront we have had a sellers' market. Sales forces have been depleted. They must be rebuilt, and swing into action promptly at A-Day, because, as Walter Fuller of the Curtis Publishing Company has well said, "A selling way of life is America's secret weapon." Selling and advertising must go into high gear, along with increased output, if consumption is to keep pace with production.

The triumvirate—more production, more distribution, more consumption—is the one sound road to more jobs, higher wages, and a higher standard of living. I'd like to see all of us get on that road and stay on it. And I believe that, if businessmen do make those two million bold, smart plans we can get on the high road.

But I would also be the first to admit that the boldest kind of individual planning could be for naught unless there prevails in the post-war period an economic climate favorable to the expansion of enterprise, to the creation of new business, and the birth of new jobs.

We in C. E. D. are making our contribution toward the creation of a favorable post-war climate through our Research Program.

Under it, we are studying some two dozen major economic problems confronting our economy—among them taxation, the demobilization of wartime controls, post-war credit and finance, small business, etc.

As an example of how such broad factors can stifle even the boldest individual post-war plans, let me discuss taxes for a moment.

Federal Taxation, as it now stands, constitutes a very serious block to the attainment of a dynamic post-war economy. It does not permit proper rewards for risk-taking, and as such it must be changed. Up to now, our tax laws have been largely the result of the desire to raise the revenue needed, with the loss of the fewest votes. It is highly important that the new approach be from the standpoint of losing the fewest jobs rather than the fewest votes. And let us never forget that unless our tax policy is so changed as to encourage risk-taking, we will have little hope of achieving the level of national income required to carry the record-breaking post-war tax burden of at least $16 billion a year.

C. E. D.'s research study on taxation, conducted by Dr. Harold M. Groves of the University of Wisconsin, has now been completed and published by McGraw-Hill under the title of "Production, Jobs and Taxes." Dr. Groves' findings and recommendations are already receiving widespread attention among business and government circles. Very shortly the C. E. D. will issue a statement of national policy on taxes setting forth the Committee's own recommendations for tax reform to encourage business expansion and more jobs.

A second C. E. D. Research Report has been completed and published on the vital problems of liquidating war production, and the disposal of government-owned plants and inventories. This study was done for us by Dr. A. D. H. Kaplan on leave from the University of Denver.

The calibre of these first two reports gives us confidence that the C. E. D. Research Program will make a real contribution to our understanding of what is needed to establish this favorable post-war climate for business expansion and the creation of the necessary new well-paid productive jobs.

Also I think the government has already made a good start toward the solution of demobilization problems. On the executive side, the Baruch-Hancock report represents an important contribution. On the legislative side, the George Committee on Post-War Planning in the Senate and the Colmer Committee on Post-War Economic Policy and Planning in the House —for which Marion Folsom, one of the C. E. D. Trustees, is directing studies—both hold real promise.

But perhaps our greatest hope for the future rests with a group of men whom too often we are apt to regard as a problem. I am referring to those eleven million men now in the armed forces. These are the men who can supply the youth, courage, daring, resourcefulness, and initiative needed to bring our plans to eventual fulfillment.

Not all of these men want jobs. As a matter of fact no less than a million are determined to start businesses of their own—and thus to become job-givers. But whether as job-givers or job-holders, they will be a great, new dynamic force. It's our task to see that the door of opportunity is kept open for them. I have every confidence that their America will be a better America than any of us have ever known—a country worthy of all the sacrifices they are making for it today.

Bright Long Term Outlook

Detroit Harvester Company offers a situation with an attractive long term outlook according to a memorandum issued by Amott, Baker & Co., Inc., 150 Broadway, New York City. Copies of this detailed memorandum, discussing possibilities for peace-time production and varied outlet, may be had from Amott, Baker & Co. upon request.

Form Johnston & Lunger

Reed Johnston, member of the New York Stock Exchange, and Harry W. Lunger have formed Johnston & Lunger, with offices at the du Pont Building, Wilmington, Del., and at 1 Wall Street, New York City. Mr. Johnston has been active as an individual floor broker for some years. He will make his headquarters at the firm's New York office; Mr. Lunger will be in Wilmington.

Outlook For Rails

Hirsch, Lilienthal & Co., 25 Broad St., New York City, members of the New York Stock Exchange, have prepared an interesting analysis of the "Outlook for Railroad Common Stocks." Copies of this interesting study are available upon request.

Chicago Brevities

A ruling by the National Association of Securities Dealers, Inc., on the old when-issued securities contracts of the Chicago, Milwaukee, St. Paul & Pacific Railroad is expected to be delivered soon, Chicago dealers believe, and the local investment firms declare that settlement of the old contracts will stimulate trading in when-issued securities generally. Dealers and brokers here point out that when-issued trading has increased greatly in recent months, especially in the Midwest, although there has been activity in the when-issued rails for about four years.

The NASD decision may cancel all or part of the old when-issued transactions in Chicago, Milwaukee & St. Paul securities, or may possibly leave all of the dealings intact. In any case, the ruling will relieve the uneasy status that now holds back extensive trading in the new bonds and stocks.

When-issued securities of five roads are now traded in Chicago—Chicago, Milwaukee & St. Paul; Rock Island; Soo Line; Western Pacific; Denver & Rio Grande. A few firms also handle contracts of the Chicago, Indianapolis & Louisville road.

Meanwhile, the new reorganization plan of the Chicago, Milwaukee & St. Paul line has run into some objections, but dealers feel that consummation of the plan should not be too far off.

* * *

Commonwealth Edison Refunding

Local corporations, taking advantage of low interest rates and tax inducements, are engaging in extensive refunding programs. The largest to be announced is the $178,000,000 Commonwealth Edison refinancing operation, to refund $98,000,000 outstanding Edison 3½s of 1968 and $80,000,000 Public Service Company of Northern Illinois 3½s of the same year.

Commonwealth Edison announced that the new flotation would not be privately placed, but would be publicly offered through a nationwide underwriting group.

Since the company is not legally a holding company, under the Public Utility Holding Company Act of 1935, there is no required competitive bidding for the securities to be sold.

Although at least one underwriting group has been formed, to bid on the refunding bonds if a competitive sale is decided on, investment banking opinion generally holds that there is not enough capital in the underwriting business to form two groups to bid on the giant issue. The only chance of competitive bidding, it was said, would be in the event that the utility decided to split the refunding into several blocks to be marketed at intervals. The suggestion was advanced, however, that a large group of insurance companies might form a syndicate to bid for the securities.

Except for the fact that Commonwealth Edison's 50-year franchise expires in 1947, the company would be ranked among the nation's top credits, financial circles stated.

* * *

Armour & Co. Issue Pending

For some time confronted with the necessity of refinancing, long anticipated in financial quarters, Armour & Co. (Illinois) last week announced tentative plans for a $76,000,000 refunding operation for the dual purpose of reducing interest charges and extending maturities.

Details of the plan have not been worked out but it is estimated that a reduction in interest costs to about 3¼% and an extension of maturities by approximately ten years may be effected through the refunding of the company's outstanding first mortgage 4%, series B of 1955 and series C of 1957, and its series D of 1964, 3¼% sinking fund bonds. Funded debt of the company also includes approximately $33,000,000 cumulative income 7% subordinated debentures, due April 1, 1978.

The company, which is faced with dividend arrears of approximately $15,000,000 on its $6 prior preferred stock, has for some time been seeking a solution to its financial problems. Quarterly dividends on the prior preferred were resumed in January of this year, but arrears of $28.50 per share still remain to be paid. In addition, the company has back dividends on its 33,715 shares outstanding 7% cumulative preferred to meet. As of July 1, these amounted to $45.50 per share, or a total of approximately $1,500,000. The latter class of preferred is redeemable at $115 per share and accrued dividends on 30 days' notice.

Banking interests with whom the tentative refinancing plans have been discussed, said George Eastwood, President, were disposed to view present money market conditions favorable to the consummation of the

(Continued on page 587)

Chicago Recommendations

Adams & Co., 231 South La Salle St., have an attractive four-page brochure on the common stock of **Bayway Terminal Corp.**, which is available to dealers on request.

Brailsford & Co., 208 South La St., have prepared a comprehensive analysis, up-to-date earnings and current comment on **Chicago North Shore and Milwaukee Railroad.** Copies of this information may be had from the firm upon request.

Caswell & Co., 120 South La Salle St., have issued an interesting circular discussing the current situation in **Central Steel & Wire Co.** common stock. Copies of this circular may be had from Caswell & Co. upon request.

Thomson & McKinnon, 231 South La Salle St., have prepared a brief analysis of the **Petroleum** industry which discusses the present international situation and gives current statistics on leading companies. Copies are available upon request from Thomson & McKinnon.

Fred W. Schulz Joins Blair & Co. Staff

(Special to The Financial Chronicle)

CHICAGO, ILL. — Fred W. Schulz has joined the staff of Blair & Co., Inc., 135 South La Salle Street. Mr. Schulz was previously with Philip D. Stokes and Stokes, Woolf & Co., Inc. Prior thereto he was in the trading department of Knight, Dickinson & Kelling, Inc. and Bartlett Knight & Co. In the past he had been associated with the Continental Illinois Bank & Trust Co. for many years.

Gauge Of Railroad Credit

From the practical standpoint of the safety of the investor in railroad securities, there seems to be little justification for not treating joint facility rents and debits for equipment hire in the same group as fixed charges, according to "A Suggested Gauge of Railroad Credit," a study just announced by Baker, Weeks & Harden, 52 Wall Street, New York City, members of the New York Stock Exchange.

The study says that since debits for equipment hire may be reduced to some extent by purchases of new equipment, "Availability of this option more or less justifies the propriety of including debit Hire of Equipment as a fixed charge, since in substantial degree such debits are merely a substitute for the fixed charges which would exist were the railroad to own rather than lease its equipment."

The study includes tables of gross revenues, joint facility rentals, equipment rental debits, and fixed charges for 41 leading railway systems, and gives the coverage of funded debt including facility and equipment rentals.

Copies of the study may be had from Baker, Weeks & Harden upon request.

T. Weller Kimball Dead

T. Weller Kimball, a partner in Glore, Forgan & Co., and a former vice-president of the Investment Bankers Association, died of a heart attack on Aug. 6. Mr. Kimball had been associated with Glore, Forgan & Co. and its predecessors for 24 years. He had previously been with A. B. Leach and Co. and Swift & Co. He was a member of the Chicago Stock Exchange, and a former president of the Bond Men's Club of Chicago.

Green Treasurer Of Investors Syndicate

MINNEAPOLIS, MINN.—Donald W. Green, Vice-President in charge of the Investment Department of Investors Syndicate and its subsidiary and affiliated companies, Investors Mutual, Inc., Investors Syndicate of America, Inc., and Investors Syndicate of Canada, Limited, has been elected Treasurer of Investors Syndicate, Earl E. Crabb, Chairman of the Board and President of Investors Syndicate, announced.

Mr. Green will continue to head the Investment Department of the Syndicate group of companies in addition to his duties as Treasurer.

Before joining Investors Syndicate in 1938, Mr. Green had been a partner in the brokerage firm of Piper, Jaffray and Hopwood of Minneapolis from 1933 to 1938, prior to which time he was Secretary and Treasurer of Folds, Buck and Company of Chicago.

Capt. Lauro Visits NYSE

Captain Francis G. Lauro, a member of the Exchange and a partner of Matheson & Lauro, on furlough in this country after 26 missions as a Flying Fortress pilot over Germany and France, Mrs. Lauro, and his father, Francis X. Lauro, partner of Whitehouse & Company, were luncheon guests of John A. Coleman, Chairman of the Board, and Emil Schram, President. Captain Lauro's bombardment group holds a Presidential citation and he has also won the Distinguished Flying Cross with two Oak Leaf Clusters and the Air Medal with four Oak Leaf Clusters.

New Chi. Exch. Members

CHICAGO, ILL. — Homer P. Hargrave, partner of Merrill Lynch, Pierce, Fenner & Beane, and John J. Quail of Davenport, Iowa, President of Quail & Co., were elected to membership in the Chicago Stock Exchange by the Executive Committee, it has been announced. Quail & Co. is the 13th registered member corporation of the Exchange.

Fashion Park Attractive

A detailed study of Fashion Park, Inc., is contained in a special circular prepared by Simons, Linburn & Co., 25 Broad Street, New York. Copies of this interesting study may be had from the firm upon request.

OUR REPORTER'S REPORT

If your confirmations are a little late these days it might be well to bear with the firm, or underwriting house, which is at fault. For the Street's investment banking firms, along with brokerage houses find themselves, currently, with a real labor problem on their hands.

This came out in the course of ordinary conversation with officials of several underwriting firms. These men admitted that the situation has them pretty much at their wits end.

The rank and file are doing things very much "on the double" in an all out effort to keep their heads above water. The problem is not one of manpower shortage alone, that has been a condition since the draft started to cut into the ranks some months ago. It now goes much deeper and presents even greater difficulties, say those who find themselves in the squeeze.

Superimposed upon the actual shortage of help, firms, by and large, are faced with the problem of an unusually high "quit" rate among employees, and there is nothing they can do about it because of the fixed wage scale set for work in the lines involved.

As one spokesman explained it, wages are "frozen" at a low-scale level. This makes it well-nigh impossible to grant pay increases in keeping with expanded work which many employes are handling.

There is only one way in which a man can obtain greater compensation for his services. That is by quitting and securing another job. And, he said, such procedure is widespread adding, we don't blame the worker, but there isn't much we can do about it.

Cincinnati Union Terminals

Taking a quick glance at the price paid for the bonds, it was recognized in bond market circles that the job of marketing the $24,000,000 of Cincinnati Union Terminal 30-year 2¾% first mortgage bonds sold on Tuesday, would require a bit of selling effort.

A total of five bids were entered for the issue with the winning tender fixed at 101.08. The successful group set a price of 101.85, less ⅜s for reoffering, indicating a yield basis of about 2.66% to the investor, or close to the 2.60% average level of top grade industrials and utilities.

But it was indicated that the bonds were moving out persistently, if not with all speed, with savings banks and trust funds showing a lively interest in the issue.

Commonwealth Edison

Banking interests were inclined to anticipate something in the way of further information shortly with regard to plans of the Commonwealth Edison Co., for its record-breaking refinancing.

No further official word has been forthcoming since the company announced it was considering refunding of $98,000,000 of its own 3½s plus $80,000,000 of 3½s of Public Service Co. of Northern Illinois.

Opinion in banking circles, hereabouts, however, continues to be that if the company goes through with the entire program in a single operation, it is unlikely that there will be more than one banking syndicate in the business. Should some remote development send the financing to competitive bidding, these bankers hope that the company will split the operation. Then perhaps two banking groups could be organized.

New York Central Trusts

Judging from the hairline bidding which has developed in connection with recent issues of the type there will be plenty of pencil work in buying departments between now and Aug. 22 when the New York Central opens bids for its issue of equipment trust certificates.

The company has just issued a call for bids for a total of $15,500,000 of certificates to mature over a period of one to ten years, with the bidder to name the interest rate.

Proceeds of the issue will provide approximately 75% of the cost of the equipment which will secure the loan.

James Curtiss With Bacon, Whipple Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—James Curtiss has become associated with Bacon, Whipple & Co., 135 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Curtiss was formerly with D. B. Peck & Co. and prior thereto was an officer of Dangler-Lapham & Co., Inc. for many years.

Coin Collection At Central Savings Bank

Central Savings Bank of New York is exhibiting in the lobby of its Uptown Office at 73rd Street and Broadway, unusual portions of the celebrated Chase Coin Collection of 50,000 coins. The exhibit will be open for public inspection during banking hours until after Labor Day. Central's exhibit includes famous coins of ancient and modern times—commodity money, money of war and peace—ranging from the bamboo currency used in ancient China to the paper cent which circulated in Boise, Idaho, in the early part of 1943. Among the unique specimens on display at the Central exhibit are Invasion Currency printed by both the United States and the Allied Military Government for use in Italy, Sicily and France; money circulated by the Japanese Government in the Philippines; money printed by Germany for distribution in occupied territories.

Illustrating how money follows the path of war, Central's exhibit contains currency issued during the American and French Revolutions and the Civil War as well as paper notes of each of the 37 United Nations. A specimen of the much-publicized "short snorter" is also included in the current exhibit at Central Savings Bank.

Chicago Brevities

(Continued from page 586)

refunding operations. No decision had been reached, company officials stated, whether the refunding bonds would be open to competitive bidding or handled through negotiated sale.

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Other Local Financing Plans

Although details were not disclosed, Wilson & Co. and Marshall Field & Co. were understood to be considering refinancing operations to take advantage of present low money ratio. As regards Wilson & Co., dividend arrears of approximately $1,000,000 on its 323,230 shares of $6 cumulative no par preferred were cleared up last March 10 and recently $399,000 of the company's first mortgage 3s of 1958 were called for redemption. Considering the improved financial condition of the company, investment banking circles pointed out the company was in a position to obtain a better rate on a new preferred issue.

The preferred stock of the company, of which 323,230 shares were outstanding at the close of the fiscal year, Oct. 30, 1943, is redeemable on 60 days' notice at $100 per share. Besides the approximately $18,500,000 first mortgage 3s of 1958 outstanding, giving effect to the partial redemption, the company has other obligations totalling $75,350 due after one year.

* * *

Marshall Field & Co., which is also studying refinancing operations, has two bond issues outstanding, one of 3% serial bonds, due 1943-55 and aggregating $10,500,000, and another of 3 to 6% first mortgage sinking fund bonds due 1959, totalling $11,200,000. Both were privately placed with the Metropolitan Life Insurance Company.

Its two series of 6% preferred stock, aggregating 150,000 shares are redeemable on 30 days' notice, one at $110 a share and the other at $105. Both are reportedly closely and largely held by members of the Field family.

National Tea Tempest

Dissatisfaction with the company's earnings record led a group headed by John F. Cuneo, President of Cuneo Press, to demand representation on the board of directors of the National Tea Co., according to La Salle Street circles. Net sales of the company, which have climbed to successive peaks in the last three years have not been reflected in net income, which has declined steadily during the period.

The Cuneo group which had acquired approximately 200,000 shares of National Tea common and a small amount of preferred stock, giving it about 38% of the voting power, is considering the formation of a stockholders' protective committee to enforce its demands. Mr. Cuneo's proposal that the group be permitted to name three directors of the company's board, with three to be named by the present management and a seventh to be chosen by the two groups, was refused by the management.

* * *

Chicago Traction Plan

A complete and detailed financial plan for municipal ownership of Chicago's elevated and surface lines will be submitted to Federal Judge Michael L. Igoe on Aug. 16, the date set for hearings on petitions for institution of bankruptcy proceedings against Chicago Surface Lines, the City Council's transportation committee announced.

The plan, which early this week was submitted to the City Council, was drafted by Philip Harrington, Commissioner of Subways and Superhighways, who expressed optimism that the plan would be accepted by both council and court.

No solution of the traction problem under private capital ownership was possible, Mr. Harrington told the council's transportation committee, and any city offer accepted by the companies would be subject to a referendum and the sale of securities. The city made a preliminary offer of $83,000,000 for both lines several months ago. In drafting the plan, Mr. Harrington stated, efforts were made to ensure the prime requisite of the traction problem's solution—agreement between the city and the attorneys of the local transportation companies as to price.

A sale by the court order under foreclosure proceedings would take the matter out of the hands of the Illinois Commerce Commission and the Securities and Exchange Commission, Joseph F. Grossman, Assistant Corporation Counsel, stated.

With Negley, Jens & Rowe

(Special to The Financial Chronicle)

PEORIA, ILL. — Kenneth B. Stucker has been added to the staff of Negley, Jens & Rowe, Jefferson Building.

Wisconsin Brevities

Nekoosa-Edwards Paper Company, Port Edwards, Wisconsin, earned $4.46 a share on the Common stock in the first six months of 1944, in contrast to $4.01 a share in the corresponding period of 1943. The book value of the Common stock as of June 30 exceeded $152 a share. Net current assets as of the same date exceeded $50 a share.

Kearney & Trecker Corporation, Milwaukee, declared a dividend of 25¢ a share, payable Aug. 15 to stock of record Aug. 1, bringing to $2.00 the total distribution made during the current fiscal year ending Sept. 30. This most recent dividend rate represents a reduction from 50¢ paid in Feb. and May, and 75¢ paid in the first quarter of the current fiscal year.

Common and Class A Preferential Participating stockholders of **Hamilton Manufacturing Company** have been notified of a special meeting on Aug. 17 at which it is proposed to authorize the sale of 38,996 additional shares of Class A stock (hereafter to be known as "Preferential Participating Stock") to investment bankers. The proceeds will be used to redeem $300,000 principal amount of First Mortgage Bonds thereby anticipating six years' fixed sinking fund requirements; to redeem the balance of $100 First Preferred stock outstanding; and to provide additional working capital. Stockholders will vote on the question of raising the liquidation value of the Preferential Participating Stock from $10 to $15 a share; to give voting rights to the Preferential stock in the event of dividend defaults; and to place a call price of $17.50 on the Preferential Stock which will become the senior stock issue of the company.

It is expected that a registration statement covering the proposed issue will be filed with the Securities and Exchange Commission sometime during the week of Aug. 7.

The Hamilton Manufacturing Company is a leading manufacturer of medical, dental, laboratory, printers' and drafting room equipment. It also has developed a domestic clothes dryer (both gas and electric models) which will go into manufacture as soon as the necessary materials are released.

Northern Paper Mills (Green Bay, Wisconsin) Common stock was delisted from the Chicago Stock Exchange as of Aug. 7, 1944.

The Stock Market

The two forces straining and struggling for the upper hand of the market lately have seemed of almost equal strength. The reason may be that each side is talking more strenuously than it is pulling, that both sides may prefer to stall until the war and the political situation clarify after Labor Day.

As for talk, the bears are more convinced than ever that the war will be over two hours after this reaches you. They are just as convinced that war's end will shake out the war boom—and not bring tax relief! The only blue sky some of the more extreme pessimists can see begins with War III.

But to the bulls, the Dow-Jones industrials at 150 look 50-60 points too low. They are banking heavily on the tremendous national income, the huge sums in individual and corporate savings, government bonds, and cash, the unprecedented demand for houses, autos, refrigerators, radios, etc., and the quadrennial hope for a change of Commander-in-Chief.

The Democratic Convention last month gave the bulls even more to cheer about, politically speaking, than the Republican Convention. The key inside Democrats left Chicago with their optimism turned to doubt. A few ultra-potent chieftains, whose names, but not opinions, are off-the-record, have gone very pittery. They now foresee a desperate fight, and wonder if Roosevelt's organization is good enough today to win a real fight. The trouble was the brawling and double-crossing for the vice-presidential nomination. The final choice did not seem to be a good one!

(1) Truman was unsatisfactory to the CIO, to liberals and to Negroes. Loss of any significant portion of these blocs could be decisive.

(2) Truman is not a good campaigner.

(3) Roosevelt's remote control over the Convention did not work. If he insists on running the campaign the same way, Dewey's chances will boom.

(4) Truman's record makes him vulneralble.

(5) Dewey will shoot at the "sinister alliance" between the Big City machines and Big Labor.

The GOP now has a real opportunity. If they can exploit it, they can win. The state of the war can help them too. As Dewey's chances grow brighter—even if it takes peace to elect him—the bulls may well win out in the market's tug of war. — *Arthur Wiesenberger & Co.*

An Attractive Exchange

Exchange of Philadelphia Electric Co. common into United Corporation $3 preferred offers attractive possibilities according to a discussion of the situation issued by Newburger & Hano, Stock Exchange Building, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this discussion may be had from Newburger & Hano upon request.

Suggestions For Purchase

The July-September issue of Estabrook & Co.'s "Investors' Almanac" contains interesting discussions of the current situation in the stock and bond markets and lists several suggestions for purchase. Copies of this "Almanac" may be had upon request from Estabrook & Co., 15 State Street, Boston, Mass., members of the New York and Boston Stock Exchanges.

Post-War Employment, Flexible Costs And Profits

(Continued from first page)

at no time in history has business long been done at a loss. But at many times and many places there have been good business and full employment when prices were low as well as high, or when interest rates were high as well as low. So it seems that the level of interest rates and of commodity prices is not the chief factor in full employment.

What is the chief factor? Profits. Profits are uncertain. They are not inevitable. 95% of all new businesses fail. Of corporation tax reports, over 35% showed no profit in 1929 and over 55% in 1939. Genius is as rare in business as in music or in science, and leadership is never common.

Profits depend on wages. Wages have the first claim on the dollar of sales. Even a bankrupt employer must pay wages in full. Who has the last claim? The owner or stockholder — the man that took the risk. Of the national income, wages are about 70% and dividends are about 6%. But the 6% of dividends hires the 70% of wages. The risk taker is the employer.

High and constant employment pre-supposes flexible costs. Rigid costs mean periodic employment. If all the elements in the cost of production declined in proportion to selling prices so as to avoid a loss to the business, employment could continue. Rigid wage rates are an important cause for widespread unemployment.

When profits turn to losses, unemployment results. The unemployed are also the underfed, the underhoused and the underclothed. Profits create employment and wages. But when our government employs, it takes no risks. It merely collects taxes from those that do take risks. But when the Soviet government employs it does take a risk. There are no private business men to whom to pass the buck. Therefore, it fixes wages to leave a profit.

What else is needed for full employment? **The customer must have buying power.** Low buying power means low business volume and low employment. When farm prices are low, the farmer does not buy automobiles and machinery. Then the industrial worker is idle. When white-collar wages are low and union wages are high, the white-collar class cannot buy automobiles, refrigerators and washing machines. When builders' wages are high and tenants' wages are low, there is little building. Therefore, we need public subsidies for housing. There must be balance between the farmer and the industrial worker, balance between white-collar wages and union wages, and balance between building wages and tenants' wages. Each group in the community really hires the other.

Our foreign customers must also have buying power. This requires, between nations, freer movement of goods, freer movement of men and freer movement of money. The nineteenth century was a period of world lending and therefore of economic expansion. The 1930s, however, were a period of international defaults and therefore of economic contraction. The post-war world could repeat, and even dwarf, the great prosperity of the nineteenth century, if foreign investments, like domestic investments, enjoy protection of the law.

Concerning full employment, let us examine a few of the fallacies and cure-alls proposed. **Unemployment is only a symptom of upset balance.** Most of the cure-alls treat the symptom instead of the cause.

(a) **"If we can have full employment for a destructive war, why not for a constructive peace?"** The answer is clear. We can under the same conditions, viz: profit for the producer. In war the government's demand is unlimited. It must have guns, urgently and regardless of price. But in peace, the consumer's demand depends upon selling prices. Buying can be postponed. In war, the government's prices are fixed to allow some profit even after heavy taxation. But in peace, neither prices nor profits are fixed. However, hourly wage rates are fixed. When demand declines and prices fall, profits turn into losses. But if wages were flexible, to yield a profit to the risk taker, we could have high constant employment in peace as in war.

(b) **"Why the paradox of poverty amid plenty?** Why starvation amid surplus food? Why idle men amid idle plants?" The bookkeeper has the answer. When selling prices decline and wages are rigid, the risk taker has a loss. Therefore he fires workers. Then what follows? Declining employment, declining purchasing power, declining consumption and therefore surplus and oversupply. If wages were flexible, however, losses could be avoided. Then business could continue—to produce, to employ workers, to pay reasonable wages and to create purchasing power.

(c) **Another fallacy is that high wage rates for some maintain purchasing power in a depression.** But high fixed wages for organized labor means high selling prices for everybody. The white-collar workers—policemen, teachers and ministers—therefore cannot buy. And organized labor becomes unemployed. They have a high wage rate but no wages. Higher prices for the product and restriction of production are illegal for manufacturing monopolies, tolerated for labor monopolies and legislated for farmers.

(d) **Another fallacy is that pump-priming will bring recovery.** Instead of restoring equilibrium between the groups in the community, pump-priming counterfeits employment. There is no test of a profit and loss statement for the government. Pump-priming often produces not economic goods, but projects that require maintenance and interest and taxes. Business can support pump-priming, but pump-priming never can support business.

(e) **Another fallacy is that if industry won't give employment, the government will.** But if there is a profit, private industry will produce. If there is no profit, even the government cannot produce, indefinitely. For the taxpayer cannot perpetually subsidize losses of public business.

What Must Be Our New Policy

The war is approaching a climax. The end seems in sight. Post-war problems will be numerous and complex. **Unemployment is the chief problem.** A stable free society depends on its solution.

To solve the post-war problem of employment we must face frankly some simple truths. **Wages must be flexible.** Income of various groups must be in balance. Economic theories and political programs must be tested against the profit and loss statement. Bookkeeping must be applied. Profits create employment. Losses cause unemployment.

The following recommendations may be obvious. But as Justice Oliver Wendell Holmes wisely said, "We need emphasis on the obvious rather than elucidation of the obscure."

1. **Recognize that profit creates employment.** Even the Soviet Government insists that business produce a profit. Therefore, the Soviet Government can take responsibility for full employment because, as an employer, the state has the power over wage rates. The American employer has no such power. We say we believe in the profit motive, and then we tolerate and encourage policies which prevent profits. We thus create unemployment. Labor leaders should educate the workers on how flexible wages could maintain employment.

Corporations should show the workers how much of the sales dollar went to wages and how much to dividends. Certain costs are beyond control of the employers, such as prices paid for raw materials, supplies, fuel, maintenance, depreciation, insurance and interest. The only items in the income account that can be controlled are wages to workers and the balance available for dividends to investors and for expansion of plant. Obviously, wages may not take all the balance. It should leave the employer enough so that he can continue to be an employer.

2. **Make costs flexible.** The interests of employer and workers are mutual. Both sides must give and take. Wages should move with the cost of living, both down and up. But the worker should not get maximum wage rates when the owner has deficits.

Though unions demand rigid high wage rates when prices decline, they refuse the responsibility for the results. Then the Government assumes the responsibility for union policy. It hands a dole to the idle. What economic nonsense! A dole is also income. But no goods are produced. A dole means a wage cut of 70% or more. But the employer generally requests a cut of only 10%, perhaps, to enable him to produce goods, to keep his men working and to remain solvent.

There is much less purchasing power in a dole than in a slightly reduced wage. When ten million are unemployed, the effect is a catastrophe. Deflation proceeds in a vicious cycle. Mass unemployment will bankrupt any insurance fund. Beveridge and other experts admit this. To save the unemployment reserve fund from bankruptcy, the Government should insist on such wage cuts as will maintain full employment in a recession.

A free economic system cannot be rigid. It must have some flexible elements. If wage rates are kept rigid, employment must become flexible. But rigid full employment requires flexible wage rates. There is a wage rate, much higher than the dole, at which most workers can be employed most of the time. Flexible costs prevent deficits or leave some profit to the risk-taker. In Great Britain wages are flexible in several industries, like coal, iron, steel, metal trades, textile, shoes, pottery and railroads. There wages move up and down with the cost of living, with the per cent of capacity operations, and with the earnings of the employer.

Profits should be shared with the workers. This is the employer's offset in prosperity to the employes' wage cut in depression. Profits are a small per cent of national income. A share of profits, after normal dividends, paid to workers will educate them in business bookkeeping. America pioneered in profit-sharing. A French-Swiss immigrant, Albert Gallatin, later Secretary of the Treasury, began profit-sharing in 1794 at his glass factory at New Geneva, Pa. In 1886 Procter & Gamble, soap makers, introduced profit-sharing and have maintained it to this day. Of course, management continued responsible for policy. Col. William Procter was then denounced as a radical. But he came to be regarded as a far-sighted business man with social vision.

Can we have flexible wage

rates plus profit-sharing with the voluntary agreement of the unions? Or shall we by rigid wage rates prevent private enterprise from working and be forced to the Soviet system of state ownership of business, or to the Nazi system of state dictation of wages? **Rigid wages foster rigid selling prices.** Labor monopoly requires business monopoly. Rigidity ends in economic bankruptcy. Fascism is political receivership. Rigid economy ends in rigid politics.

Nazi Germany achieved full employment by destroying the unions and all voluntary labor agreements. Costs were thus lowered. Can we achieve full employment by American methods of freedom and voluntary agreement? **We need faith in our system of private enterprise and statesmanlike cooperation.**

3. **Reduce fluctuations in business.** Keep business in balance and you maintain employment. Efficient corporations regulate and balance their purchases of raw materials according to their inventories and to their customers' orders. Information for each industry should be collected on orders received, size of inventories and shipments to customers. This is a job for the industry or the Government. It should not be regarded as a violation of the anti-trust law.

4. **Public works will help a little.** But they are not the most important factors in employment. We tried public works from 1934 to 1939. What was the result? Our unemployment in January, 1939, was about the same as in January, 1934. Our budget had continuous deficits. Our debt increased. Cockeyed theories flourished to rationalize the evil of budget deficits. When national income in a depression falls 20 or 30 billion dollars, public works of 1 or 2 or even 3 billion dollars are insignificant. They do help a wee bit. Better to have high employment under flexible wages rather than low employment under rigid wages plus public works for some of the jobless and doles for the rest.

5. **Labor should not restrict output,** but stimulate efficiency. In Soviet Russia the highly efficient worker is rewarded, but in the United States he is discharged from the union unless he restricts production. This is stupid and destructive.

6. **Taxes should be revised to encourage taking risk.** We tax both the corporation and the stockholder. England does not. Such double taxation must cease, as the writer pleaded since 1942 before Congressional Committees on taxation. Else we shall have unemployment. The tax on risk-taking, miscalled the capital gains tax, should be reduced and ultimately abolished, as the writer urged since 1938 before Senate and House Committees and in the press. Risk-taking creates unemployment.

7. **An individual income tax of 90% checks risk-taking.** A 1% return, after taxes, checks risk-takers. But we offer a loophole of escape in our tax-exempt securities. Why shall anyone take risks to employ people?

8. The Securities and Exchange Commission did a fine job in controlling dishonest financing. However, some of the rules about new issues are too rigid and should be relaxed to encourage business to expand.

9. **We must change our attitude toward the railroads and the utilities.** The British in 1921 consolidated their 126 railroads into four systems. None went bankrupt ever since. Orders for locomotives and cars were fairly steady. Employment was steady. We do have a single nation-wide telephone service and recently also telegraph service. But we did not permit our railroads to consolidate. Almost 40% went bankrupt in the last ten years—the highest in history. Their orders for equipment fluctuated violently. Then workers in the railroad-equipment industry lost their jobs. We should consolidate the railroads.

10. We are breaking up the utility holding companies. In two years, 1934-35, orders for utility equipment declined 80% below the average of 1919 to 1933. **We should not disintegrate but consolidate the utilities as the law demands.** We could thus stimulate expansion and employment.

11. **We must teach bookkeeping to our Government officials and labor leaders.** Bookkeeping is the alphabet of business. But they are illiterates in bookkeeping. Economics deals with wealth and income, which in real life is the province of bookkeeping. Our economic system grew faster than the ability of Government officials or labor leaders to understand it. We need more statesmanship both in politics and in labor unions. The ideas about full employment require not deep knowledge but practical intelligence. The American worker is intelligent. But politicians and labor leaders treat him like a spoiled child or petulant simpleton.

We must develop labor statesmen. Labor has great power. It must accept responsibility. The law has given it rights. It must accept obligations. Otherwise the economic system will not work and we are headed for economic bankruptcy and political receivership, which is fascism. The British do have democracy in their unions—secret ballots, protection of the members by publicity of accounts since 1870, and protection of the majority against pressure group tactics by prohibition of political contributions since 1910. The British laws are old and tried. We should imitate them.

We must solve the problem of mass unemployment or else the Government will intervene. Government intervention abroad brought loss of freedom. The Nazis had full employment but no freedom. We can have both. We should put a floor under suffering, but we should put no ceiling over effort. If selling prices remain flexible, wages must remain flexible. Rigid wages mean rigid selling prices. And that means monopoly. Rigid economics does not go with free politics. A nation cannot exist half free and half authoritarian. The promise of American life can be realized only with high employment. And that requires economic balance, flexible wages and sound bookkeeping.

Editor's Note—Mr. Friedman, writer of the above, is a consulting economist. He has engaged in labor relations and management, is a member of pro-labor organizations and has appeared before Congressional committees and served in the Treasury. He is the author of "Russia in Transition," a survey of Soviet labor, and "Labor and Reconstruction in Europe."

The CHRONICLE invites comments on the views expressed by Mr. Friedman in this article, or on any related phases of the subject under discussion. Comments should be addressed to Editor, Commercial and Financial Chronicle, 25 Spruce St., New York (8), N. Y.

Condemns Ruml-Sonne Plan To Abolish Corporate Income Taxes

Editor, "Commercial & Financial Chronicle":

". . . to lower prices, increase wages, . . . encourage the distribution of earnings as dividends . . ." Messrs. Ruml and Sonne have suggested the abolition of Federal income taxes on corporations, according to an account of the National Planning Association memorandum in the July 27 issue of the "Chronicle." There is not much doubt about this theory having quite a following who believe in the magic because they want to believe!

(It may be noted that this tax proposal is one of the three inseparable suggestions—any one of which is undesirable by itself according to its author—appearing in a paper winning one of the Pabst Post-War Employment Awards. Presumably this paper was read by Mr. Ruml as he was one of the contest judges, and it was written by a member of the staff of the National Bureau for Economic Research of which Mr. Ruml is a director.)

The objections to the abolition of corporation income taxes may be stated as follows:

(1) It would be more than double the individual income tax deductions currently withheld without a corresponding increase in pay, because it cannot be expected that corporation executives would raise employees' pay until after they had made a study of the economic repercussions which would follow such a radical departure from our customary tax policies, or until such time that it is reflected in corporation earnings.

(2) Are we going to say to the returning service men and women, "You have done a fine job, now let's see you continue the good work at home. We'll give you jobs, and when our taxes are abolished and your taxes doubled, we'll pay you more money, when, as and if!"

(3) Business expansion takes place when the factors are such that business executives anticipate a widening in the margin of the national spendable income. The business outlook is contingent on the consumer spending power. The consumer spending power is contingent on many factors, such as taxes, status of inventories in relation to current and prospective demands, the public psychology or condition of confidence which underlies these and many of the other factors. A sharp reduction in consumer spending power by a doubling of the withholding tax would be a decidedly unfavorable factor and would tend to generate another depression.

Following are suggestions for revision of tax policy:

(a) Reduce individual income taxes when the budget warrants by an increase in exemptions and allowance for hired help.

(b) After individual income taxes have been reduced and when the Federal budget warrants it, reduce corporation normal taxes but retain a surplus or excess profits tax somewhat modified for the purpose of stabilizing earnings and pari passu the security markets. During prosperous times the excess profits tax would siphon earnings for national debt reduction and in poor years would act as a cushion. It is true that a surplus profits tax is a tax on good management but the latter seems to be able to take care of itself such as via stockholders' proxies!

C. H. HAINES

Watertown, Mass., Aug. 2, 1944.

Favorable Prospects

American Re-Insurance Company has one of the most promising outlooks in the insurance field, according to a detailed study of the situation prepared by Huff, Geyer & Hecht, 67 Wall Street, New York City. Copies of this interesting study may be had upon request from Huff, Geyer & Hecht.

Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

Standard & Poor's index of New York City bank stocks was 105.1 on Aug. 2, 1944, exactly the same as it was over eight years ago, on June 3, 1936. This naturally raises the question, how do values today compare with those of 1936? The following tabulation throws some light on this question.

	Book Value Per Share		*Net Earnings Per Share		Asked Price	
	6-30-36	6-30-44	1935	1943	6-3-36	8-2-44
Bank of Manhattan	$22.72	$25.53	$1.87	$2.48	28½	24⅝
Bank of New York	282.58	365.24	21.66	28.59	495	428
Bankers Trust	37.64	51.37	3.25	5.18	58	54⅜
Central Hanover	80.62	99.95	6.03	7.28	114½	106¾
Chase National	30.16	37.60	1.82	3.33	39½	40⅝
Chemical	36.34	41.78	4.39	3.73	55½	53¼
Corn Exchange	42.22	50.07	3.55	3.56	60¾	50⅞
First National	1,007.50	1,264.63	113.54	106.16	1,925	1,675
Guaranty Trust	297.39	328.95	14.22	22.94	291	342
Irving Trust	21.82	21.48	0.70	1.12	15¾	16½
Manufacturers Trust	28.50	43.05	4.04	6.52	48	53⅜
†National City	24.81	40.13	2.03	2.83	35½	38¾
‡New York Trust	*70.49	86.90	6.78	8.41	123	102¼
Public National	43.54	49.70	2.02	3.30	42½	44¼
United States Trust	1,510.44	1,520.98	85.03	101.79	1,980	1,455

*Excluding recoveries. †Includes City Bank Farmers' Trust. ‡Adjusted for change in capitalization.

Turning first to market prices, it will be observed that even though the index was 105.1 on both dates, yet six stocks currently enjoy higher prices than on June 3, 1936, while nine stocks are quoted lower. United States Trust registers the greatest loss with a drop of 26.5%, and Guaranty Trust registers the greatest gain with an appreciation of 17.5%.

In the case of book-values, all but Irving Trust show increases, varying from moderate to substantial. In 1936 the market dollar would buy only 77c of book-value, based on the average ratio for the fifteen stocks, while today it will buy 96c of book-value. In other words today the average bank stock dollar will buy 25% more book-value than it would in June, 1936.

Annual net earnings of the banks, exclusive of recoveries, were higher in 1943 than in 1935 for all banks except Chemical and First National, and the average earning yield of the 15 banks today, based on 1943 earnings, is 7.8% compared with 5.6% on June 3, 1936, based on 1935 earnings, or 39% better.

Earning assets of the 15 banks on June 30, 1936 aggregated $9,575,000,000, and on June 30, 1944 they aggregated $21,228,000,000. This remarkable expansion of $11,653,000,000 or 122% has naturally been reflected in greater earnings, despite high wartime taxes and increased operating costs, and also has been an important factor in increasing book values.

With regard to dividends, seven of the banks are paying the same rates as in 1935, but seven have reduced rates as follows: Bank of Manhattan, from $1.50 to $0.90; Bankers Trust, from $3.00 to $1.40; Central Hanover, from $7.00 to $4.00; Corn Exchange, from $3.00 to $2.40; First National, from $100.00 to $80.00; Irving Trust, from $1.00 to $0.60, and New York Trust, from $5.00 to $3.50. On the other hand, Manufacturers Trust has increased its rate from $1.00 to $2.00. Generally speaking, the dividend policy of each of these banks is on the conservative side, and most of the reductions have been made in the interest of strengthening capital funds.

The average coverage of dividends by earnings in 1935 for the 15 banks was 1.55 times, compared with 2.21 times in 1943. Some of the banks could without doubt restore their former dividend rates, but it is not likely that any such action will be taken while the war is in progress. Meanwhile both state and federal banking authorities are urging the banks to build up their capital position as an offset to the strong uptrend in deposits.

To sum up: the average bank stock dollar today, compared with that of June 3, 1936, produces a lower cash dividend yield, but, on the other hand, it buys approximately 25% more book value, 120% more earning assets and 39% more earnings. These comparisons are based on the reported figures of the 15 leading New York City commercial banks listed in the tabulation.

In view of favorable long term prospects, and despite the current relatively low cash dividend return, it seems likely that these marked discrepancies must ere long be corrected by the bank stock market through moving up into higher ground.

Bretton Woods In Review

(Continued from first page)

was tainted gold and hence unacceptable to the United Nations.

This resolution deserves a lot more attention than it has been given. Such questions as the following will certainly arise before long. How can Laval or Goering be prevented from transferring funds to Argentina or Spain? What pressures if any can be brought to bear upon recalcitrant neutrals to disclose such transactions? What and who is a neutral?

But much more than that is involved. What will be done about the disputed ownership of corporate securities in Europe? What will for example the Netherlands Government do in this respect upon its return to Holland? Some of my Bretton Woods foreign acquaintances seem to think that Holland will register all corporate securities outstanding. Those holders whose political status is beyond question will immediately receive back their property. Others will be dispossessed and their securities sold by the government. The proceeds of such sales will be applied to reduce the Dutch war debt. This figure might well run up to one billion guilders. Obviously, there will be a tie up of many securities in order to ascertain the questionable status of some owners.

There are still other questions which enter into this matter of the ownership of European corporate securities. What about the many instances in which the Germans increased the capitalization of corporations in occupied territories, "bought" up shares with local currency obtained under occupation costs levied, and thus "legally" obtained control? In case of common stocks temporarily in the possession of a government awaiting settlement of disputed ownership claims, who votes these certificates in the meantime? In some countries, it will be very difficult indeed to find the answer to the question "Who owns what?" Does that mean then that governments will assume an increasing share of control in such businesses? Does that mean socialization in some instances?

United States investors and financial institutions have sufficient interest in such questions to insist upon full information of any talks that have been or are being made with foreign governments on that topic. As a matter of right, they should be represented at such discussions. But here we come to one of the great weaknesses of the conference as far as the United States is concerned. No banker versed in international finance had been invited. Indeed, when disagreement precludes an invitation to a conference, a most undesirable if not dangerous situation arises. If critics are not given an opportunity to understand just what goes on at such a conference, they will quite naturally oppose its results—regardless of merits. When there is as much distrust as there exists today between the administration and those responsible for the nation's financial leadership—a feeling of distrust which is so utterly mutual — the outlook for our post-war participation in international financial problems is at best somewhat muddy.

In regard to silver, the conference did very little. Despite a deluge of mail from silver interests and silver congressmen, despite appearances of silver lobbyists "it was the sense of Commission III that the subject should merit further study by the interested nations." But there was at Bretton Woods a determined effort made on the part of certain silver producing countries (particularly Latin American countries) "to do something for silver."

I do not share the belief that nothing will be done for silver. Let us not be unmindful of the sentiments for silver conveyed in the President's message to Congress of May 22, 1934, which accompanied the Administration's Silver Purchase bill. It said that "we should not neglect the value of an increased use of silver in improving our monetary system. Since 1929 that has been obvious. Increasing the proportion of silver in the abundant metallic reserves back of our paper currency is in the public interest. We seek to remedy a maladjustment of our currency by the further acquisition and monetary use of silver. . . ." What a splendid argument to use for the post-war reconstruction of currencies! There is a distinct possibility of another one-sided international silver agreement as that of London in 1933.

The third resolution of Commission III proposed the liquidation of the Bank of International Settlements "at the earliest possible moment." There is quite a story to this apparently innocuous resolution. Originally, the resolution had coupled with it a proposal for an international investigation of the bank's activities. Another resolution introduced would have barred membership in the fund, and hence in the bank, to any nation which would retain its membership in the BIS. Quite obviously, someone at Bretton Woods wanted to bring up the old question of the Czecho-Slovak gold transfer to Hitler made by the BIS and use it as a smear campaign directed against certain international bankers.

Before entering upon a discussion of the fund and the bank, a word should be said concerning the other recommendations of the Conference. Among them are: (1) Reduction of obstacles to international trade. This will certainly mean the calling of an international economic conference, without doubt the most important general conference that will be held, and a conference on shipping. (2) to "bring about the orderly marketing of staple commodities at prices fair to producers and consumers alike." This is extremely important because reports seeping out of certain government quarters indicate that plans are being discussed for government sponsored cartels, the only manner in which prices fair to producers could be guaranteed. That this would mean regimentation by government fiat of practically all extractive industries seems to be quite clear. Surely no agreement as to price maintenance of a commodity is worth the paper on which it is written unless its supply is controlled. Just how such recommendations which are by their very nature restrictive can be reconciled with the purpose of the Conference, which was to expand trade, is quite another problem. Consistency thou art indeed a jewel! (3) to "deal with the special problems of international concern which will arise from the cessation of production for war purposes" and (4) "to promote and maintain high levels of employment and progressively rising standards of living."

These are all very interesting resolutions. Do they foreshadow the rise of bureaucratic regulation not only by national administrative bodies, but by international administrative agencies?

Now to the main work of the Conference, the world stabilization fund and the world bank for reconstruction. Since the fund is so complicated and technical (Harry White once remarked "every word in it has a definite meaning") and since its ramifications are so many, it was thought best to leave the discussion of the fund to a separate article and take up here the bank.

The purpose of the bank is "to assist in the reconstruction and development" of member territories (only fund members can be bank members) "with equitable consideration to projects for development and projects for reconstruction alike." A considerable clash of opinion developed at this point in the Conference. Latin American nations stressed the development angle; Europeans quite naturally emphasized reconstruction. To what extent the phrase "equitable consideration" will allay such feeling remains to be seen. No one raised the question that at times it would be difficult to distinguish between reconstruction and development. Anything destroyed will certainly not be rebuilt as it was, but will incorporate the most recent technical innovations.

The bank's capital was boosted to $9.1 billion after Russia decided

to increase her subscriptions to the bank by $300 million, thus bringing her pledge up to her fund quota of $1.2 billion. Total authorized capital is $10 billion, leaving $900 million for countries now on the neutral or axis list.

The somewhat amusing aspect was the almost universal struggle for a large quota in the fund, but for a small quota in the bank. For the quotas in the fund determine borrowing power, whereas the quotas in the bank determine the liability a country assumes. As a matter of fact, one might say, the bank really is the fund whereas the fund is in reality the bank. That is, the fund acts as bank in that members come to it to borrow, whereas in the bank members pool their resources in the fashion of an investment fund.

How much shall the bank lend? That amount must not exceed 100% of the bank's unimpaired subscribed capital, reserves and surplus. Said Harry White: "It is a very conservative bank, so conservative it leans over backward and touches the ground with its head." The U. S. Treasury did not pretend it liked the loan limitations. It had originally spoken of loans and guarantees (Only an amount up to 20% of the authorized capital may be in form of the bank's own loans or participation in direct loans. Eighty percent of the bank's capital is to be used as guarantee for loans.) as being extended to twice or three times the bank's capital. This attitude was shared by most of the European countries, but Lord Keynes, Chairman of Commission II which dealt with the bank, insisted that if the bank's loan ratio were to be increased beyond the 1:1 ratio, England would be forced to reduce her commitment in the bank.

Such an attitude on the part of the chairman alarmed many a member, for they argued that if the loans were sound business propositions, a loan ratio to capital of 2:1 was still very sound. They expressed concern lest the loans should be, from a business point of view, improper loans and hence explain the British attitude.

At any rate, the theory upon which the bank is predicated is this. Since only 20% of the bank's capital is to be used for direct loans or direct participations, only 20% of the quotas subscribed need be paid in. Only 10% of that amount, that is 2% of the quotas, are payable in gold. Thus one might argue that the bank is not at all based upon a loan ratio to capital of 1:1, but of 5:1. A nation under this setup would be in the position of a stockholder in a bank with a quintuple liability.

The bank's proponents insist that should the bank function for a generation, the guarantee commission of 1-1½% per annum charged on every loan in addition to interest would be sufficient to meet any claims against the bank in case of a debtor's default. A similar commission is charged in case of direct loans or participations. Of course, everything turns on the question: What types of loans will be made or guaranteed?

The bank is an institution jointly owned by governments. Hence a country may deal with it "only through its treasury, central bank, stabilization fund or other similar fiscal agency." The bank may guarantee, participate in, or make loans when "the bank is satisfied that in the prevailing market conditions the borrower would be unable otherwise to obtain the loan under conditions which in the opinion of the Bank are reasonable for the borrower." Or when "in the opinion of the Bank the rate of interest and other charges are reasonable and such rates, charges and the schedule for repayment of principal are appropriate to the project."

In other words, the bank (meaning very likely a preponderance of debtor opinion) will determine what are suitable interest rates and by refusing to guarantee loans could well be instrumental in depressing interest rates not only on the loans but in the market in general. Whether that would prove beneficial to the United States or other countries remains to be seen. Who is "the opinion of the bank?" There are 12 executive directors. Five are elected, one each by the United States, Russia, England, China, and France. Seven directors are to be elected by the remaining members. But a quorum is a majority of the directors exercising not less than one-half of the total voting power. The Big Five could meet that requirement. But will they represent a united creditor front? The answer to that question would hardly seem to be an unqualified "yes."

Probably one of the unfortunate byproducts of modern civilization has been an emphasis in many cases on money in which money is only a side issue. The proposal for the bank talks of lending money when it is really a question of lending capital goods. Despite many questions directed at representatives of foreign governments at Bretton Woods, I have yet to receive a satisfactory answer to the question: "How fast will your country be able to absorb capital goods?" After all, roadbuilding and other machinery cannot be just dumped at a dock. It may well be that it will be years before the $10 billion can be parceled out because it takes time to draw up private or governmental blue prints for reconstruction or development.

Since it is a question of lending capital goods, the United States will certainly be primarily called upon to deliver such goods. If there should be a heavy demand for them at a time when already a large domestic and foreign demand exists, this may contribute to an undesirable upward pressure on our price level.

It has been said that it would be better for the Unitde States to lend through the bank than to extend loans directly to other nations, for the bank gives a guarantee and in case of default would meet the debtor's liability. That is true, but if we make our own loans we not only can stipulate conditions, but we can say "buy American."

The bank's best features are its insistence upon productive loans and its ability to have access to information by which to judge the soundness of loans (if that is really desired), information which has hitherto been unavailable to private investment circles. But its worst feature is that it constitutes a rather hidden device to control American capital markets. Such control might well be exercised to a large degree by debtors or countries with a debtor sentiment.

The proposal for the bank is a gauntlet thrown at the feet of the country's financial leaders. I am not so sure that the formation of a huge private investment syndicate, on the board of which the Government might well have a representative as well as industrial leaders, would not be more advisable.

The fact remains that at Bretton Woods 44 nations met and worked together. Underlying all their deliberations were three definite assumptions: (1) The future of the world depends to a large degree upon a high volume of employment in key countries, particularly in the United States. (2) There is no promise of peace unless allied unity is maintained. (3) Loans for reconstruction or for development carry in themselves revolutionary implications in that an increase in the standard of living of a people usually brings radical changes along many social and economic lines.

If the United States will not participate, other arrangements for international economic developments will be made. Russia could not obtain credits, so she let millions of her people starve to death to industrialize and modernize. I do not believe that the world has quite appreciated that fact as yet. Is China to follow the same path? Other countries with their reconstruction problems? Besides there is always a question of maintaining our employment volume. We shall need capital goods exports later on.

But the main issue will still be, how shall we participate? Can a private economy organize itself in such a fashion as to answer the world's need for funds? I think it can, but it will call for an organization that will have the capital and information needed at its disposal. Everyone agrees loans could not be made on the basis of the procedure used in the 1920's. But private capital has still a lot of spirit left. It could do the job which is going to be done—one way or another.

Russian Economist Doubts Exchange Stabilization By International Agreement

Academician I. Trachtenberg, Writing In Official Soviet Magazine, Says Changes In Domestic Currency Values Will Occur Independently Of An International Fund

In reviewing the plans for an international stabilization fund in a recent issue of the official Soviet magazine, "World Economy and World Politics," I. Trachtenberg, a prominent Russian economist, concludes that, because the purchasing power of national currencies is altered from time to time independently and that these changes occur at different times in different countries and in different degrees of intensity, the aim to stabilize foreign exchange rates through an international agreement "will not be attained." He lays down three general propositions for the regulation of currency exchange rates. These are:

"First, that it is impossible to achieve the stabilization of exchange rates by means of international agreement.

"Second, it is impossible to make the principle of divorce from gold the basis of a currency agreement. Capitalism can only loosen the 'golden fetters,' but cannot 'dislodge gold from its throne.'

"Third, the newly created institution should be organized in such a way as to avoid interference in the internal policies of individual countries and remove the danger of the loss by individual countries of their economic independence."

Referring to the means employed in maintaining the stability of the Russian currency under the present regime, and Russia's interest in world monetary stabilization, Mr. Trachtenberg remarks:

"The stability of our currency exchange rate is guaranteed by our socialist system of economy, and, in particular, by the monopoly of foreign trade. The stability of the purchasing power of our money is stipulated by the inner laws of our economic structure.

"Nevertheless, we are interested in the stability of the currencies of foreign countries, both of those to which we export goods and those from which we import them. We are interested in the development of world trade. Any kind of measure which to any degree might aid in solving the above problems, including currency measures, should therefore attract our attention."

Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first articles in the series they have been running in the "Financial Chronicle." Copies of this booklet may be had upon request by writing to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Avenue, New York 1, N. Y

Davis Heads Bond Dept. Of First National Bank Of Memphis

MEMPHIS, TENN. — Joe H. Davis, Assistant Vice-President of the First National Bank of Memphis, has been named Manager of the bank's Bond Department, succeeding Joe E. Denham, Vice-President, who is now with the Correspondent Bank Division of the First National.

Mr. Davis has been acting manager of the department for the past 19 months, having served in that capacity since December, 1942, when Mr. Denham entered the armed services. His designation as Manager comes just six months after his promotion to Assistant Vice-President.

Mr. Davis became associated with the First National Bank in 1928. During 1939-40 he represented the Bond Department in Mississippi with headquarters in Jackson. He became Assistant Manager in 1942.

Interesting Rail Situations

In the current issue of their "Railroad Securities Quotations," B. W. Pizzini & Co. discuss several interesting rail situations, some attractive as speculations and others as a good grade of investment. Copies of the release, which contains quotations on guaranteed stocks, underlying mortgage railroad bonds, reorganization railroad bonds, minority stocks, and guaranteed telegraph stocks, may be had from B. W. Pizzini & Co., Inc., 55 Broadway, New York City, upon request.

Public National Attractive

Stock of the Public National Bank and Trust Company of New York offers interesting possibilities for investment, according to a memorandum issued by C. E. Unterberg & Company, 61 Broadway, New York City. Copies of this memorandum outlining the situation may be had upon request from C. E. Unterberg & Co.

Spencer Koch To Admit

Marion E. Cohn will become a limited partner in Spencer B. Koch & Co., 120 Broadway, New York City, on Aug. 17.

The Farmers' Cooperative Movement And Its Future

(Continued from page 578)

his independence. He does not wish to be a ward of the Government, neither does he intend to be a serf or peasant, which is the level of farmers in many foreign countries. The farmer wishes to give his family its fair share of the high standard of living which has become a part of the social and economic life of this country. The farm cooperative gives him that opportunity.

The farm cooperative is one of the greatest factors in the social and economic life of American agriculture. To the farmer it is a means of self-help and self-expression. No matter how frustrated a man may feel about things beyond his control, he is still a free man if he can express himself and act. Farm cooperatives offer that opportunity to the farmer. Before farm cooperatives were organized farmers were forced to purchase all their farm production supplies at retail and sell the products of the farm at wholesale, without having anything to say as to the prices they must pay or receive at either level. That this was a problem of importance to the entire nation is shown by the following statement of the attitude of Congress in considering farmer cooperatives and the privileges granted to them:

"Agriculture, as a basic industry, affects the daily life and well-being of every citizen to an extent not reflected in any other line of endeavor. The production of food is vital to the maintenance of health, and of life itself. The prosperity and progress of agriculture is essential to the life and well-being of the nation, and all of its people. Therefore, those measures which will benefit and strengthen agriculture are in furtherance of a sound public policy. They are not merely an aid to a special group of citizens—the farmers—but are *primarily*, an essential contribution to a sound economy of the *entire nation*, affecting the welfare of all of its people."

The Congress more specifically states its position in the Agricultural Marketing Act of 1929, a section of which reads as follows:

"It is hereby declared to be the policy of Congress to promote the effective merchandising of agricultural commodities in inter-State and foreign commerce, so that the industry of agriculture will be placed on a basis of economic equality with other industries, and to that end to protect, control, and stabilize the currents of inter-State and foreign commerce in the marketing of agricultural commodities and their food products.

"(1) By minimizing speculation.

"(2) By preventing inefficient and wasteful methods of distribution.

"(3) By encouraging the organization of producers into effective associations or corporations under their own control for greater unity of effort in marketing and by promoting the establishment and financing of a farm marketing system of producer-owned and producer-controlled cooperative associations and other agencies."

One could go on quoting at length from various reports of legislative bodies and from the laws of our various States and the nation, but I think the two items which I have quoted to you set up sufficient background.

The Cooperative Grange League Federation Exchange, Inc., of which I am an employee, is one of these farm cooperatives. It was set up by farmers in 1920 to purchase their farm production supplies and to market their farm produce. This organization is known briefly as the "G. L. F." The "G" stands for Grange, which is the farmers' fraternal organization. It was this organization that some of the first activities of farmers in purchasing farm production supplies started in 1870. The "L" stands for the Dairymen's League, which is the farmers' milk marketing organization in the New York Milk Shed. The "F" stands for the Farm Bureau Federation, which is the farmers' educational organization. The farmers of these three organizations banded together to form this farm cooperative—G. L. F.

Present Activities

Today over 200,000 farm families in the New York Milk Shed purchase all or a part of their farm production supplies or market some of their farm produce through this organization. It is inevitable and highly proper that the mere force of the combined volume of business of this farm cooperative will have a regulating effect upon price structure and standards of quality.

The major volume of tonnage of the Cooperative G. L. F. Exchange, Inc., is in feed, seed and fertilizer. For the fiscal year ending June 30, 1944, this was 1,850,000 tons. For any corporation, whether privately owned or a farm cooperative, to have done that volume of business, there must be some good reasons for its initial activities and the building of such a patronage by farmers on a voluntary basis.

Speaking locally for this area, the findings of legislative investigating committees of the State of New York bear eloquent testimony to the need of the establishment of some agency to set up standards of quality with respect to these supplies. Farm cooperatives furnish feed and fertilizer according to open formula, with the ingredient contents, as well as the chemical formula, appearing on the tag for the purchaser to see. This practice has resulted in the elimination of weed seeds and screenings from feeds and a disproportionate amount of inert matter from fertilizers. Seeds of known origin adapted to our northeastern farms have taken the place of unadapted seeds handled for profit only, grown in the warm climates of Italy, Africa, the Argentine and the southwestern part of the United States. Such adapted seed has alone saved farmers of the New York Milk Shed millions of dollars each year from the crop failures which they formerly experienced.

Farm cooperatives are sometimes accused of not spending any money for research, but of leaning on the research of private industry. Here are the facts. The experiment stations of our colleges of agriculture were set up to carry on research with public funds. Private industry for years ignored the results of such research, particularly on feed and fertilizer, and would not supply farmers with feed and fertilizers based on the experimental work of our colleges of agriculture. In the main, feed and fertilizers made by private industry were built around some by-products which they wished to dispose of. Farm cooperatives put into action the research of Agricultural Experiment Stations.

In the process of supplying farm production supplies to farmers, manufactured or purchased according to specifications, farmer cooperatives have gone upstream on the supply lines, in some cases reaching right back to the raw products. This has been true in some cases because by-products of industry did not supply enough materials, or because industry would not supply them according to the specifications which the farmers wrote for those supplies.

As the result, G. L. F. farmers operate the following plants for farm production supplies:

3 feed mills,
5 seed plants,
11 fertilizer and chemical plants, and
1 lumber mill.

This lumber mill and box factory is a splendid example of how farm cooperatives are forced into certain activities. For years this lumber mill located at Crown Point, New York, was simply a trading post where farmers in that area traded the logs they cut in the winter time for feed, seed and fertilizer. When the war came along manufacturers, who had been engaged in making fruit and vegetable boxes, could make more money by manufacturing ammunition boxes. You people in the city still wanted fruits and vegetables on your tables and the farmer had to have containers in which to pack those crops and get them to market. So the farmers decided to enlarge this lumber mill and put in a box factory. Today this box factory is making about 3,000,000 fruit and vegetable containers per year, and I doubt if it is going to discontinue after the war, because farmers have found out how to make fruit and vegetable containers according to their specifications and at a fair price. This incident gives you a lead as to some of the future activities of farm cooperatives.

What are farm cooperatives doing in the field of marketing? Here is what the Cooperative G. L. F. is doing in the territory which supplies New York City with much of its food. It is operating:

2 canning factories,
4 bean plants,
5 flour and cereal mills,
15 country egg stations with five terminal egg sales services as the outlets,
3 produce auctions,
2 cold storage warehouses

and is operating six retail egg stores in New York City and has been experimenting with three retail food markets* in up-State New York.

Let us just analyze two of these activities to learn why farmer cooperatives are in this field of business. Why should farmers operate their own canning factories?

New York is a great canning crop State. It has the right kind of soil, the right climate, and farmers who know how to grow these crops. Yet, after growing the canning crops farmers often times found that they had no market for them. In years of plenty the canning factories would not make contracts. When there were surpluses, prices offered were so low that they did not cover the cost of production, and if the farmer did not accept these prices, his crops rotted in the fields.

So a group of G. L. F. farmers around Waterloo, New York, decided to open their own canning factory. These farmers contracted to grow canning crops sufficient to operate their factory at maximum capacity and at a price which they figured to be fair on a basis of the going market prices for canned goods. Our competitors have said that the operation of a few canning factories by farmers had done more to stabilize this industry than any one factor. Farmers intend to set up a few more cooperative canning factories to spread this influence throughout the territory. They do not intend to monopolize the canning business.

One might well ask, why should farmers be interested in operating retail food markets? The answer is that farmers want to learn something about what happens to their food products after they leave the farms, and they also want to be able to influence the movement of those products, the prices at which they are sold, and the returns which are made to them as the producers.

Here is just one good example, which standing alone shows the value both to the producer and to the consumer of a few farmer activities in the retail food business. Last fall many of you will remember when the retail price of eggs was about 75¢ per dozen or higher. The early winter surplus began to build up and the price which farmers were receiving dropped from about 55¢ to 35¢ per dozen and then to 30¢ per dozen, but the retail price of eggs remained at 75¢ per dozen and consumption slowed down. The less eggs were eaten in the city, the greater the surplus piled up on farms and in storage.

At the two retail food stores which G. L. F. farmers were then operating the retail price of eggs was dropped to 55¢ per dozen and consumption immediately jumped. All the retail food stores in those areas were forced to meet that competition, so the retail price of eggs to the consumer went down, the price to the farmers stabilized and the development of a huge surplus of eggs was delayed until late winter.

What Is The Future Trend?

Mr. Davis asked me to tell you something of the plans and ambitions of farm cooperatives for the future. For example, is it probable that cooperatives will go further into the farm equipment field, into food processing or into other phases of manufacturing or distribution? My answer in general is "yes." Farm cooperatives are going into these fields. They are already in some of these fields. How far they go will depend to a considerable extent on the attitude of private industry.

Let us take as an example farm equipment. Many of our present models of farm equipment show little or no refinement over the original models made 25 or 30 years ago. A farmer riding a mowing machine or a hay rake still feels at the end of the day as if the machine were developed for the sole purpose of driving his backbone up through the top of his head. It took a farmer to develop the idea of putting farm machinery on rubber tires. If farm machinery manufacturers will go to farmers to get the specifications for their farm machinery and will distribute it at fair prices, they may continue to control the major volume of business in that field. Some evidence that this is going to occur is shown by the fact that as of today two large manufacturers have come to the G. L. F. asking for help in the development of new lines of farm equipment. These manufacturers, however, are not the old line implement companies, but new manufacturers who are looking for new fields after the war is over.

I think farm cooperatives are going still farther in the food processing business. Here is a good example in the meat processing business. The value of cull dairy cattle and cull hens in New York State is $35,000,000 per year. This is the value of cows and hens which are taken out of production each year. Most of these are sold by farmers to dealers who travel around from farm to farm and deal with the farmer to buy these cows and hens at the lowest possible price. That is the last word the farmer has to say about this important source of farm income.

While cull dairy cows and cull hens do not supply prime food for your table, they are a great source of canned meats, sausage and bologna. Investigation into the prices of these processed foods indicates that farmers are not getting a fair price for these cull animals. They are going to find out if there isn't more money in the bologna than is indicated by the price they get for the cull dairy cows.

In none of these activities do the farmers ask for a monopoly. Farm cooperatives want to carry on enough activities in these new fields so that they may accomplish two results. First, to learn at first-hand how the job is done, and thus gain an understanding of the risks and of the trials and tribulations of private industry and capital in the same fields. Second, farm cooperatives in these fields will set up standards for quality, for price and for services which will influence private industry in those fields.

I hope that I have given you the story of why farm cooperatives are organized and that I have told you something of their future ambitions.

With your permission I would like to speak for a moment regarding an attack against farm cooperatives which is now being carried forward by the National Tax Equality Association. This is an association organized with the overall purpose, it claims, of combating certain tax provisions which it holds to be unfair as between private industry on one hand and farm cooperatives, religious and charitable organizations, savings banks, mutual insurance companies, building and loan associations and other similar groups. The opening attack is directly against farm cooperatives. The National Tax Equality Association states that it is not opposed to farm cooperatives, yet it attacks the very fundamentals of the right of farm families to join with their neighbors and conduct their business in the cooperative way.

The basic principle of an operating farmer cooperative is that of the relation of a principal to his agent. Although many legal interpretations have been made supporting this point, and the Internal Revenue Bureau of the U. S. Treasury Department recognizes it, the National Tax Equality Association waves aside these legal decisions and interpretations and bases its case on its own definition.

This attack of the National Tax Equality Association on farm cooperatives will result in one or both of the following actions on the part of farm cooperatives:

1. If farm cooperatives are denied the right of paying patronage refunds, they will be forced to reduce their prices to a level where there will be no net margins to distribute, and thus force private industry to operate with little or no profit, probably bringing about a series of ruinous price wars.

2. If industry in general takes up the attack, it will result in driving agriculture away from its now friendly relations with industry.

I thank you for the opportunity of telling you something about farm cooperatives. I think it would be fine if we who are engaged in that field of effort had more contacts with you in the world of finance.

*On operations of this type farm cooperatives are subject to the same rules and regulations as private business, and when the experimental stage is over, these activities must be completely divorced from a farm cooperative.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of Alexander M. Main to Frazier Jelke will be considered on Aug. 17. Both are partners in Frazier Jelke & Co.

Charles F. Henderson, partner in Charles F. Henderson & Sons, died on July 31, as of which date his interest in the firm ceased.

Interest of the late J. Thilman Hendrick in W. B. Hibbs & Co. ceased Aug. 1.

Robert K. Wurts, partner in Wurts, Dulles & Co., died on July 30.

Interest of the late Norman S. Walker in Wood, Walker & Co. ceased as of July 23.

Industry's Post-War Responsibilities

(Continued from page 581)

ican industrialists and workers, with the assistance of government, in furnishing the capital, writing the rules, umpiring the game, and directing the flow of material. American industrialists by working together and in harmony with their workers and with government can produce a post-war miracle, if government will create a favorable environment, write the proper rules of play, and create a wholesome atmosphere of goodwill and fair play. Long-range planning is not new to industry. The creation of the great industrial research laboratories, the establishment of their forecasting or planning departments, the development of their executive training programs, and the forward projection of their budgeted programs are proof of their planned operations. What other group in our nation is better trained by experience to take the initiative in economic post-war planning than they?

With this background of understanding concerning the proper relationships and importance of cooperative effort of industry and government the CED was organized. It is independent of government, yet it has had the cooperation of and has been cooperating with many agencies of government, especially the Department of Commerce. While this gives an ideal basis for independence of thought and operations, yet it recognizes dependence on government for writing the rules of play and for acting as a fair and impartial umpire.

The accomplishments of CED to date have exceeded our expectations. The field organization has had a remarkable development and the time, effort and expense of the Research Committee would have been justified had they produced only the tax report. Dr. Grove's book and the supplementary report on taxation will have a profound effect in shaping the public mind on post-war taxation. Taxes, as everyone should know, will be one of the most important contributing factors in accelerating or retarding post-war employment. The research program has been intelligently planned and is one of the most extensive ever attempted by an industrial group.

"It must be apparent," says Ted Yntema, "that we do not as yet have all the technical 'know-how' or anything like understanding and responsibility on the part of the public which are necessary to achieve a high level of employment in a private enterprise system. We need more study and research; we need more economist statesmen to lead the way; and, above all, we need more education of the public to induce them to support intelligent leadership."

One of the most significant events in Congressional history was the selection of Marion Folsom as the Director for the Congressional Committee on Post-War Planning and the appointment by the Senators' George-Murray Committee of a Macon, Ga., business man to direct their post-war studies. I can never recall when important committees of the Congress selected business men in similar capacities.

These appointments indicate that a non-partisan, fact-finding organization comprised of the leaders in each community has an important role in the life of the nation, provided it does not publicize itself to death or develop the reputation of being another minority pressure group.

The field organization has followed the grass roots approach by appealing to every reasonable sized community to organize its own CED committee and wherever possible to have its own local Research Committee. In this manner both the action and fact-finding activities are conducted on the national and community level, each contributing plans and suggestions to the other—as exemplified in this meeting today. I cannot speak too highly of the magnificent accomplishments of Marion Folsom and Ralph Flanders and their staffs in the proper coordination of the field and research activities, and of John Fennelly and Scott Fletcher and their associates.

The great military successes of recent weeks are bringing nearer the end of the war in Europe, and make it more imperative than even that CED's program be quickened. The gigantic problems that face us as we pass from war to peace are beyond our comprehension, and their urgency makes speed essential.

It is much easier to arouse industrialists or research workers to a war than a peace program, because war is urgent and dramatic and lives are at stake. Planning for peace is not only more difficult psychologically, but the problems are more complex and will require political and industrial statesmanship of the highest order. A few of the major domestic problems are:

1. Cancellation of Government contracts and the loss of the Government as a 75-billion-dollar-a-year customer.

2. Finding employment for 10 million munitions workers plus 10 million returning service men and women.

3. Sale of Government-owned property and its impact on private enterprise.

4. Problems of the over-expanded capital goods and machinery industries.

5. Dislocation of populations due to the shift of war workers.

6. Labor relationships.

7. Taxes.

8. Government debt and deficit financing.

9. Relaxation of war-time Government controls.

10. Inflation.

11. Monetary and banking policies in the transition stage.

12. The special problems of small business.

13. Post-war problems of agriculture.

I think is was Sumner Slicter who raised this question:

What are we going to do about the millions of soldiers returning to peace-time pursuits, eager to work? Matured by their experiences, possessing new and breader viewpoints, they will constitute a vigorous social force with which to reckon. Here is a job which challenges all the abilities, ingenuity and resources of American business and other groups. Upon our success in meeting this unprecedented challenge may depend the survival of a dynamic free society in this nation. We dare not underestimate the staggering proportions of this assignment nor the consequences of failure.

It is obvious that industry's most important problem is marketing. We have mastered mass production, but we have not built up peace-time mass consumption to take the output of our industrial machine running at top speed. The solving of this problem will go far in solving the post-war problem of providing jobs.

The whole distribution system has been seriously and dangerously paralyzed. What we call "markets" have been sacrificed to a large degree to war needs. It will take tremendous sums of money invested in research and sales work, and especially consumer advertising, to repair the damage to markets and distribution.

Advertising, one of the most powerful forces in merchandising, has never been subjected to what we term the scientific approach, except in a very timid and halting manner. Starch is doing an excellent job in measuring the effectiveness of copy. But I mean getting down to the roots and studying causes. It might be said that advertising is to merchandising what electricity is to production. Think of the great men of science, the electrical wizards and research laboratories, who are studying electricity. Where would we be in this war without electricity? The prospects of electronics in the post-war period are positively thrilling. But what do we hear about post-war advertising? What great universities, laboratories and wizards are studying merchandising, especially advertising, to the same extent as electricity? And why not?

In the post-war period our domestic economy will more than ever before be affected by international considerations. One need only pose the question: What sort of a peace shall we make, one with the United States playing a leading role, at the peace table, and in post-war financial and commercial reconstruction, or one in which we accept outwardly our leadership, but pursue an independent domestic policy? The answer to this question will largely determine the possible implications in the fields of banking, commerce, communications and international relations.

Among the favorable factors is the greatest accumulation of purchasing power which the world has ever seen, including:

1. Liquid savings of individuals and businesses approximating 165 billion dollars.

2. Instalment credits which can be vastly expanded, due to liquidated debts during the war period.

3. Surplus funds of State and municipal authorities.

4. Surplus dollar exchange in foreign hands.

5. Possible long-term credits to foreign governments.

6. UNRRA purchases.

A balance sheet appraisal of the most favorable aspects on the asset side and the difficult problems of solution on the liability side leads me to the conclusion that although we face a great crisis with all of its potential dangers we likewise face the greatest opportunity in our history.

It is my opinion that CED can grasp this opportunity, and can play the greatest role in the industrial history of our country provided it continues to adhere to its single purpose objective.

Through CED leadership we must attain statesmanship in our industrial planning and in every phase of our economic life. The responsibility for taking our planning activities from the blue print stage, and for bringing them to the action stage, must not be that of a small group, but individually and collectively, of every citizen, business organization, whether large or small, and representative of industry, labor, or government.

Through the coordinated effort of all, and the whole-hearted support and faith of public and government in creating the proper post-war environment, industry can lead the way for a high level of production and employment, and an era of prosperity such as this country has never before known in peace-time.

Mutual Funds

From Mid-Year Reports

Massachusetts Investors Trust—Concluding its 20th year of operation, **MIT** reports a total of 54,848 shareholders on June 30, 1944, a new high figure which compares with 200 shareholders on Dec. 31, 1924, the year in which the fund was established.

Net assets on June 30, 1944, amounted to $153,547,373, equal to $22.22 per share on the 6,909,970 shares outstanding. These figures compare with net assets of $144,341,829, equal to $20.95 on March 31, 1944.

* * *

Incorporated Investors — Total net assets on June 30, 1944, amounted to $53,936,461, as compared with $49,600,987 at the end of the first quarter. In the three-months period covered by the report, net asset value per share increased from $20.84 to $22.76, or 9.2%.

William A. Parker, President of Incorporated Investors, devotes the major part of his letter to stockholders to a discussion of the investment policy which the management has pursued in recent years. Mr. Parker describes it as "flexible and unprejudiced for or against any industry." The results have been excellent as shown by the rise in net asset value per share of Incorporated Investors to $22.76 on June 30, 1944, from $12.13 on Dec. 31, 1941. This is an increase of approximately 88% and does not include dividends totaling $1.97 per share which were declared during the period.

* * *

Fundamental Investors, Inc. — Mr. Philip W. K. Sweet, President, reports that "assets of the company have increased more than one and a half million dollars during the last six months." On June 30, net assets totaled $11,335,021, compared with $9,682,308 at the year-end.

* * *

Keystone Custodian Funds Series "B1" and Series "K2" — Net assets of the Series "B1" on June 30, 1944, amounted to $2,734,467 compared with $2,237,383 at the close of 1943. Net assets of Series "K2" rose from $1,265,503 to $2,005,555 during the first half of 1944.

Combined net assets of the 10 Keystone Custodian Funds stood at $87,000,000 on Aug. 1, representing a gain of $24,000,000 in the last 12 months.

* * *

American Foreign Investing Corp.—Net assets were $1,006,325 on June 30, 1944.

Selected American Shares, Inc. —In the first half of 1944 net assets rose from $9,179,481 to $10,378,511, with asset value per share increasing from $9.16 to $10.16.

Chemical Fund, Inc.—Net assets on June 30, 1944, totaled $10,665,530, compared with $10,509,844 at the end of the first quarter.

Broad Street Investing Corp. — Net assets on June 30, 1944, amounted to $6,731,384, equal to $29.70 per share.

Eaton & Howard Balanced Fund —In the first half of 1944, net assets increased from $6,540,200 to $8,295,900.

In the Mailbag

"A Comparative Study of Economic Conditions" in World Wars I and II in **Calvin Bullock's** July issue of **Perspective**. . . .

A review of the mid-year standing of the various contestants in the **Hugh W. Long & Co.** Industry Selection Contest is given in the July 15 issue of **The New York Letter.** The market performance of the various industry groups is also shown, with railroad, automobile, business equipment, building supply and machinery leading in that order. . . .

"Just By Moving a Decimal" **Lord, Abbett** shows, in a recent issue of **Abstracts**, what an advance from $1.84 to $3.96 looks like for **Affiliated Fund** when translated into a ten-fold higher price. It spells the equivalent of a move from 18⅜ to 39⅝. . . . A later issue of **Abstracts** quotes the comments of certain rail bond authorities on the vulnerable position of lower grade railroad bonds. . . .

National Securities & Research Corp. discusses "The Proposed International Monetary Fund and World Bank" in the current issue of **Investment Timing.** . . .

Distributors Group — A little stuffer folder "Profits vs. Income"; new issues of **Railroad Equipment News** and **Steel News.** . . . **Lord, Abbett** — **Composite Summary** folder for August, covering the

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War And Gold—A Russian View

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much gold was bought from other countries. Figures of actual U.S.A. gold imports do not answer this question as, on the one hand, part of the gold imported by the U.S.A. was not sold to the Treasury but was deposited on foreign account, and on the other, gold deposited in the U.S.A. even before the war was sold to the Treasury. Nevertheless we are giving figures of actual U.S.A. gold imports from non-British countries.

Actual U. S. A. Gold Imports From September, 1939 to December, 1941
(In millions of dollars)

From France	241.9
From Sweden	188.1
From Holland	106.6
From Switzerland	100.8
From Portugal	75.1
From Italy	59.7
From Norway	44.4
From Yugoslavia	16.3
From Hungary	11.9
From Spain	10.4
From Belgium	1.0
From Argentina	59.1
From Mexico	56.5
From Colombia	54.9
From Chile	14.4
From Brazil	10.8
From The Philippines	93.7
From Japan	179.7
From China and Hong-Kong	43.0
From Dutch Indies	20.6

Imports of gold from France, Holland, Norway, Yugoslavia and Belgium took place of course before these countries were occupied by Germany. Import of gold from such neutral countries as Sweden, Switzerland and Portugal also was essentially continued only until 1940, and already in 1941 had decreased to an insignificant amount. Gold imports by the U.S.A. from Italy and Hungary continued in the period between the beginning of the war in Europe and the entry of these countries into the war. Considerable gold imports from the Latin American countries and from the Philippines continued even in 1941. Gold imports from Japan were already in 1941 very insignificant owing to the limitation of Japanese-American trade and other measures. Thus, the American gold reserve grew mainly during the first period of the war before the passing of the lend-lease law for armaments and materials.

Germany's loot of gold in occupied countries is a matter of great interest. Not only were the centralized gold reserves of these countries looted, but also gold and gold articles belonging to the population.

Of the occupied countries France held the first place in respect of its gold reserves. At the beginning of the war France held a centralized gold reserve 50% larger than that of England. We see that the actual gold imports from France into the U.S.A. before the capitulation totalled 242 million dollars. In addition, part of the French gold reserve was deposited in the U.S.A. before the war, but this part can not have been very large as all the foreign gold deposited in the U.S.A. at the outbreak of the war amounted only to one milliard dollars. A certain part of the French gold reserve was apparently brought out of France before the capitulation and deposited in England. According to estimates, out of the gold reserve held by the Bank of France comprising two thirds of all the centralized French gold reserve at the outbreak of war, 23.8% is in the U.S.A., 11.9% in England and 11.9% in Canada. The principal part of the French gold, i.e. 47.6% of the Bank of France's gold reserves, was taken to French West Africa (Dakar), and possibly partly secured by the Allies when they occupied Dakar. Finally 4.7% of the gold reserves were on the island of Martinique and in other French colonies out of reach of the Germans. In this way the Germans, apart from the gold which they succeeded in pumping back into France out of Dakar before its occupation by the Allies, can hardly have benefited very much on account of the French gold reserve.

The Germans have tried in every way to confiscate gold from the population. Already on June 14, 1940, the Germans declared the compulsory registration of all privately owned valuables, and opened the safes of the banks, etc.; as the accumulation of gold in private hands was fairly large in France, the looting of this gold may have given the Germans a considerable amount.

In respect of its gold reserves, Holland held the second place among the occupied countries. At the time of the German occupation her gold reserves had reached the figure of 650 million dollars. According to a statement made by Dutch Minister of Finance who arrived in London from Holland in May, 1940, only two thirds of this gold was taken out of Holland, and therefore, the Germans got about 200 million dollars of bank gold from Holland. Besides this a fairly considerable amount of gold fell into their hands by means of "requisitioning" privately held stocks.

At the time of the occupation the Belgian centralized gold reserve amounted to 734 million dollars. The greater part of this reserve was taken out of Belgium before the Germans came in. Two hundred and sixty million dollars were deposited by the Belgian National Bank in the Bank of France and taken to Dakar together with the French gold. Later on instructions from Berlin all this Belgian gold was transferred on aeroplanes back to Belgium by the Vichy Government and handed over to the Germans. Later on the Belgian Government in London obtained a decision from the American law courts, according to which an arrest was put on French funds in the U.S.A. for an amount equal to the value of the gold handed over to the Germans. In addition, the Germans succeeded in getting part of the gold privately owned in Belgium.

The fairly large gold reserve of the Norwegian Bank had already been taken out of Norway at the time of the German attack and was deposited in the U.S.A. and Canada.

The Polish gold reserve was also taken to England and did not fall into the hands of the Germans.

The fate of the Czechoslovak gold reserve is interesting. After the occupation of the Sudetenland the Germans received from the Czechoslovak National Bank 16 million dollars' worth of gold in return for transferring to the bank the Czechoslovak kronas withdrawn from circulation in the Sudetenland. The major part of the remaining Czechoslovak gold reserve was exported in good time and did not get into the hands of the Germans. However, about 25 million dollars were deposited in the Bank for International Settlements, which in its turn deposited this gold in the Bank of England. In accordance with the policy of "appeasement" then being carried out by Chamberlain, this gold was handed out to the Reichsbank, which in this way received Czechoslovak gold worth 25 million dollars.

The Yugoslav gold reserve (77 million dollars at the time of the occupation) and the Greek (28 million dollars) were saved from the Germans.

The Danish gold reserve was also chiefly placed abroad. The Germans, however, found new means of looting the Danes. The American paper "PM" wrote in its issue of May 18, 1941: "The looting of gold in Copenhagen is a good example of commercial trickery by the Hitlerites. The Germans made the National Bank in Copenhagen turn its gold into rings, cups, etc., and then the Germans bought up these articles with their occupation marks and sent the gold to Germany. They also compelled the bank to buy up gold rings, watches, etc., and all this was also sent to Germany." Already when Austria was occupied the German Reichsbank had taken the Austrian gold reserve, which at that time amounted to 49 million dollars and was not included in the data published concerning the German gold reserve. In this way, the Germans nevertheless managed to loot in the occupied countries a considerable amount of gold, although the predominant part of the centralized gold reserves was saved. Besides, Germany in point of fact holds at its disposal the gold reserve of her "allies"—Hungary, Rumania and others.

All this loot of gold was carried out by Germany at the same time as the pumping out of goods from the occupied and vassal countries, pressed into a Procrustes' bed of clearing agreements. It is clear that in such "trade" relations with these countries Germany does not require gold. The whole of the German press is filled with talk that gold has outlived its meaning and that the significance attached to it is a hellish invention of the U.S.A., England and other important holders and producers of gold. But notwithstanding this loud talk the German-Fascist robbers never scorned to take even the most insignificant quantity of gold, if only this could be found in an occupied country.

The changes which have taken place in the gold reserves of neutral countries are particularly characteristic of the actual part played by gold during the war. The gold reserve of Switzerland on Oct. 23, 1943, was 898 million dollars, i.e. it had increased by 313 million dollars or by 53.5% during the war. This increase was largely due to the conscious policy of the Swiss National Bank which converted its holdings of foreign currency into gold. The accumulation of this currency was, in its turn, connected with the repatriation of capital into Switzerland and with other factors. The same could be observed in Sweden, where the gold reserve amounted to 369 million dollars at the end of July, 1943, i.e. 14 millions more than at the beginning of the war. The growth of the Swedish gold reserve was also dependent on the conversion of foreign currency into gold and is partly connected with payments of insurance indemnities for the sinking of Swedish ships. The same picture can be observed in Turkey, where the gold reserve by the end of July, 1943, had grown to 158 million dollars, i.e. by 128 million dollars or 427%. In this way the most important neutral countries have not only not reduced their gold reserves during the war, but on the contrary have increased them.

Before coming to the drawing up of conclusions concerning the distribution of the world's gold reserves it is necessary to make a brief halt on the question of the production of gold during the war. The world production of gold (excluding the U.S.S.R.) continued to rise during the first years of the war, right up to 1941. From 1,136 million dollars in 1938 it rose to 1,209 million in 1939, 1,279 million in 1940 and to 1,289 million in 1941; in 1942 it was estimated at 10% less than in 1941.

Gold mining increased most of all in the largest producing country, i.e. South Africa. Here it increased from 426 million dollars in 1938 to 504 million dollars in 1941, i.e. by 18 odd per cent. In 1942 it amounted to 494 million dollars remaining approximately on the level of the record year of 1941, and in 1943 to less than 455 million dollars.

In Canada gold mining increased from 165.4 million dollars in 1938 to 186.6 million dollars in 1941 or by nearly 13%; in 1942 it amounted to 168 million dollars and in 1943 to about 126 million dollars.

In West Africa where gold is mostly mined in the English possessions, mining increased from 24.7 million dollars in 1938 to 28.6 million in 1939, and to 32.4 million in 1941, i.e. by 13%. For nine months of 1942 it amounted to 22.7 million dollars.

The position was somewhat different in the other producing countries of the British Empire. In Rhodesia the mining of gold in 1939 was somewhat lower than in 1938, and after a temporary rise in 1940 it decreased again in 1941 to 27.8 million dollars as against 28.5 million in 1938 (for nine months of 1942 it was 20.2 million dollars).

Mining in Australia grew somewhat in 1939 as compared with 1938, but in the following years of war it was reduced very considerably owing to the transfer of labor to war production. Gold mining in 1941 amounted to 51 million dollars as against 56.2 million dollars in 1939 (for nine months of 1942 it was only 31.8 million dollars).

Gold mining in India fell during the years of war and was 9.9 million dollars in 1941 as against 11.3 million dollars in 1938 (for nine months of 1942 it was 7.3 million dollars). In this way gold mining did not develop equally in different parts of the British Empire. However, gold mining as a whole increased considerably during the years of war, and its proportion in the world production (excluding the U.S.S.R.) remained at the pre-war level of 1938 (62.5%).

Of the remaining gold producing countries the largest producer of gold is the U.S.A. During the first years of war gold mining grew considerably (in 1938—178.1 million dollars, in 1940—210.1 million dollars and in 1941—209.2 million dollars). However, after the U.S.A. entry into the war the reorganization of economics to war conditions brought about a drastic reduction in production. During 1942 it amounted to only 121 million dollars, and in 1943 to about 54 million dollars.

A different movement in gold mining was to be seen in the Latin American countries. For instance, in Mexico it fell in 1939 as against 1938, and after a slight rise in 1940 it again fell very considerably in 1941 and 1942. It grew during the war years in Colombia and Nicaragua and also in Chile in the first years, where however already in 1941 a considerable reduction took place. It can be said that before the entry of the U.S.A. and Japan into the second world war gold mining generally grew, and only after this a tendency towards a slight reduction could be observed, which became particularly apparent in the U.S.A., Canada, South Africa and so on. This tendency is as a rule connected with the transfer of workers, materials, etc. to direct war production.

GOLD PRODUCTION
(In millions of dollars)
("Federal Reserve Bulletin," December, 1942, p. 1253)

Year—	World (excl. U. S. S. R.)	South Africa	Canada	West Africa	Rhodesia	Australia
1938	1,136.4	425.6	165.4	24.7	28.5	54.3
1939	1,208.7	448.8	178.3	28.6	28.0	56.2
1940	1,279.5	491.6	185.9	32.2	29.2	55.9
1941	1,288.9	504.3	186.6	32.4	27.8	51.0
1942 (9 months	---	375.7	130.3	22.7	20.2	31.8

Year—	India	U. S. A.	Mexico	Colombia	Nicaragua	Chile
1938	11.3	178.1	32.3	18.2	1.6	10.3
1939	11.1	196.4	29.4	20.0	3.5	11.4
1940	10.2	210.1	30.9	22.1	5.4	12.0
1941	9.9	209.2	28.0	23.0	7.5	9.3
1942 (9 months)	7.3	101.7	23.5	16.2	6.0	5.3

We shall now summarise. The concentration of world reserves of monetary gold in the U.S.A., which had reached an immense amount even before the war, increased drastically in the course of the war, but its further growth had already stopped in 1941. England has spent practically all her centralized gold reserve, but the British Empire as a whole has even now at its disposal quite considerable gold reserves; besides, her position in this respect is defined not only by stock reserves, but also by the fact that she remains the decisive producer of gold. In so far as its flow from countries of the British Empire to the U.S.A. has practically stopped, the current production may now go to replacing reserves. The most important neutral countries have not only not lost their reserves of gold during the war, but have actually managed to increased them. Germany has looted a considerable amount of gold in the occupied countries, but most of it at the expense of private holdings rather than at the expense of centralized reserves which were exported in time. All this proves not only that the U.S.A. and the British Empire will remain very interested in gold, as is for instance emphasized in the English "Economist," but also that other countries are in no way altogether deprived of gold reserves as is sometimes made out.

The question of the so-called price of gold during the war is of great interest. A free market for gold did not exist in the most important countries even before this war was started. War measures limited this possibility still further, and the fixing of firm "prices for gold" by the state became a general practice. The state as a rule is the only legal buyer of gold (excepting such gold as is required for industrial needs).

In view of the absence of a free market for gold its price is formed on an illegal market; in those countries where a more or less free market exists, the price of gold is legally fixed, and then by calculating at the existing rate of exchange this price may be given in any currency.

In order to explain we quote instances from the actual position. The U.S.A. Treasury as the only legal buyer obtains as from January, 1934, an ounce of fine gold of any origin for 35 dollars. This means that one dollar is equal to 1/35th of an ounce of gold, and is the mark of value for this quantity of gold. The English Treasury (and the Bank of England) as the only legal buyer of gold in England obtains it as from the beginning of the war at the "price" of 168 shillings per ounce, which also means that one shilling is the mark for the cost of 1/168th of an ounce of gold, and one £ sterling equals 20/168ths ounces. The correlation of these "prices for gold" in the U.S.A. and England fixes the correlation of the dollar and £ sterling. As both 35 dollars and 168 shillings are equal to one ounce of fine gold, they are equal to one another, and one £ sterling is equal to 4 dollars and 16.66 cents. The small difference between this rate and the one actually fixed (4 dollars 2½-3½ cents) is explained by the cost of transport and insurance of gold.

As both in the U.S.A. and in England the free market for gold has been abolished, legal "market" prices do not exist. In India, however, in Bombay some marketing of gold has been retained. At the beginning of 1943 gold was quoted on this market at 67 rupees per tola (1 tola=180 grains (troy)), i.e. 178 2/3 rupees for an ounce (as against 41 rupees per tola or 109 1/3 rupees per ounce at par). ("The Banker," January, 1943, p. 53.) This means that one ounce of gold was quoted at 268 shillings and not at 168 shillings,

i.e. one £ sterling on the Bombay market was equal to 20/268 or 10/134 ounces of gold and not to 20/168 ounces. In other words the £ sterling had depreciated on the Bombay market 37.3% in comparison with the official rate. As the official "price of gold" in the U.S.A. is 35 dollars per ounce, and the Bombay market price is 53.8 dollars, we arrive at a depreciation of the dollar of 35% in comparison with the official rate. In this way the fact is disclosed (which cannot be noticed either in England or in the U.S.A. in view of the absence of a free market for gold there) that the £ sterling and the dollar have depreciated and the market has made them equal to a much smaller quantity of gold than that of the official exchange. This at the same time means that prices for goods in England and the U.S.A. in terms of gold are lower than when these prices are calculated on the basis of the official rates.

In conditions of a free gold market this situation would have been impossible. Gold from England, the U.S.A. and other countries would be directed to India against arbitration operations, and the gap between the "gold prices" would be quickly liquidated. In the absence of a free gold market a paradoxical situation arises when the American and English treasuries buy gold much "cheaper" than it could be bought on the market. In other words, the American producer or the English currency fund must sell gold to the U.S.A. Treasury at 35 dollars per ounce, although they could have obtained 54 dollars for the same ounce had they sold it on the Bombay market; and the South African producer must sell his gold at 168 shillings per ounce, although he could realize 268 shillings for it by selling in Bombay. It is clear that this situation gives rise for all manner of illegal deals and speculation. At the same time a gap is formed between the depreciation of the dollar and £ sterling in respect of the gold, measured by the Bombay market, and the depreciation of these currencies in respect of home prices for goods measured at the official "gold price."

When talking of the "future" fate of gold, it must be said that its role as a measure of value will inevitably be maintained so long as production of goods is maintained. This role is quite independent of the existence or absence of a gold standard or of gold circulation. Even inflation (depreciation of money) rests on the role of gold as a measure of value. This role of gold is also not influenced either by the volume or the distribution of the world's gold reserves. The question concerning the role of gold with regard to other functions of money is quite another matter. Generally gold stopped being used for monetary circulation inside individual countries already from the time of the 1914-1918 war. As a means for payment it only comes in times of crisis, when the machinery for credit breaks down. As treasure it played an essential role between the two world wars, and undoubtedly will continue to play it in the future. Even earlier, gold as world money, as Marx pointed out, did not so much play the role of a means of purchase as that of a means of settlement. A number of present day schemes are aimed at bringing this latter role to a minimum.

In this way, although the significance of gold as money changes (and has already changed more than once) in the historic process, nevertheless the role of gold in the monetary system of the capitalistic world will be inevitably maintained independently of the money standards which will be accepted after the war.

Urges "Controlled Decontrol" For Post-War Collaboration

(Continued from page 581)

They consist primarily in establishing simple rules and regulatory mechanisms, by the acceptance of which men are able to cooperate to their mutual advantage.

"The first section of this paper is devoted therefore to stating the need for simple mechanisms to clear and adjust economic transactions between citizens of different countries. Such clearing and balancing of payments must now be organized more consciously and formally than was necessary in the long period of peace before the first World War; but the essential needs remain much as they were then. In particular the mechanisms of clearing and adjustment should be such as to facilitate enterprise and promote active markets leading to abundant production and interchange.

"The second section of the paper surveys some of the more difficult questions of readjustment and reconversion that are likely to arise in the aftermath of war. It would be relatively easy to outline an ideal world of peace and prosperity; but before the foundations of such a world can be laid there is a difficult period of transition to be traversed from war to peace. Here in the United States we know that war-time industries must shrink, equipment must be scrapped or converted, workers must be transferred from war to peace production. This vast process of reconversion must entail shifts not only in production but in prices and costs. In countries that have suffered more directly from the havoc of war these tasks of reconversion and reconstruction will be infinitely more complicated. The second section of this paper is therefore a plea for a period of "controlled decontrol" rather than a hasty abandonment of war controls in an effort to get back at once to the freer economy of peace.

"Finally attention is drawn in the third section of the paper to many important new elements of economic organization that must be taken into account in any attempt to reconstruct international economic collaboration. These derive partly from new industrial and trading techniques, partly from new objectives of social policy, and partly from inevitable shifts in the balance of economic power among the nations. The United States is emerging from this war with its economic capacity and financial strength greater than it has ever been. The structure of its economic activity, however, has changed. The mere fact that it has functioned as the arsenal of democracy is indicative of this change. Account must be taken of these developments in considering the economic policies to be followed in the post-war world."

Demobilization a Domestic Problem

Prof. Condliffe regards the problem of demobilization as one which each nation must solve for itself. "There was never any possibility," he writes, "that some general plan of intergovernmental action could serve to reconvert the world from war to peace. As the time for demobilization draws nearer, it becomes obvious that the patient farmers in the rice-bowl of China, the sheep-raisers in Australia, the farmers and factory workers in the United States, the Soviet Union, and Britain, and all the other specialized producers in these and other lands must contribute the greater share of their own reorganization. The salvation of the occupied lands will depend primarily upon the efforts of their own peoples. The misguided populations of the enemy countries must, in Mr. Churchill's phrase, work their own passage back to acceptance in the family of nations.

"This truth, which constitutes the inescapable argument for restoring the greatest possible degree of individual initiative becomes clearer with every passing day; but the complementary truth must be equally emphasized. Individual initiative, if it is to be constructive, must proceed within a framework of social order. Unless it is articulated and combined to achieve social purposes, individual enterprise lapses into anarchy and defeats its own ends. This paper is not concerned with the reconciliation of individual freedom and social order which must be made nationally within each individual country according to the circumstances and genius of its own people and their traditions. But something needs to be said of the necessity for international order and organization."

Despite his contention that reconversion is a domestic problem, Prof. Condliffe calls for a plan of cooperative international action, particularly in the establishment of an international clearing system. "In order to maintain active and healthy economic activity," he points out, "there must be an effective international mechanism through which goods and services can be exchanged and payments can be cleared. In the absence of such a central mechanism competition becomes destructive. As the governor of an engine absorbs and smooths out irregularities of movement and pressure, the clearing mechanism coordinates the flow and interchange of goods and services. When the governor fails to function, irregular pressures put a strain on the whole mechanism and, if this strain cracks any part, the uncontrolled and uncoordinated pressures may wreck the whole machine. Something very like this happened when the restored international gold standard broke down in 1929-1933. The violent market fluctuations that ensued were like the threshing of a complicated machine of which the governing mechanism had snapped. From time to time, after each successive national currency devaluation, some relief appeared to have been given to different national economies, but the ultimate result of the breakdown symbolized by the collapse of exchange stability was impoverishment for all."

"It may be argued," he continues, "that the greater part of the vigorous economic activity which was so productive of social advancement in the latter half of the nineteenth century was national rather than international. This is true. Indeed it has always been true and must be true in the future as in the past, if prosperity is to be restored. In particular it must be true for the United States which is now the greatest manufacturing country and therefore the greatest buyer of raw materials in the world. Unless there is active production and employment it is unlikely that this country can take an active part in organizing an effective system of international trade. If it does not do so the chances of such a system being organized are remote. Yet it is as unrealistic to consider national economic activity apart from its international repercussions as it is to draw a distinction today between the home front and the battle lines. The connection between domestic and international economic policy is so intimate that for many practical purposes they constitute a single entity. This paper is not primarily concerned with domestic economic policy either in the United States or in any other country; but it

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Canadian Securities

By BRUCE WILLIAMS

It now develops that the Canadian bid for post-war export markets is going to be on a much broader scale than had been previously anticipated in most quarters.

Recognition by the Dominion Government that Canada has become one of the great trading nations of the world is underscored by formation of the Export Credit Insurance Corporation, with capital to be supplied by the Dominion treasury.

Initially, the plan will be supported by a capital fund of up to $30,000,000. Under the insurance and loan provisions of the plan, Ottawa's commitments are limited to guarantees of $200,000,000 at any one time and loans and purchases of foreign government securities up to $100,000,000.

In explaining the measure to the House, Trades Minister MacKinnon stated that: "The essence of export credit insurance is that the exporter enters into an export sales contract with an importer in another country and is able to insure himself on a premium basis in respect of the payment risks that are involved.

"The Export Credit Insurance Corp. that is to be set up in Canada is intended to develop for the assistance of Canadian exporters a business of this kind, and it is the intention that it shall operate on a self-sustaining basis, but that it shall be essentially non-profit making."

Thus, the plan is designed to aid Canadian exports in three ways:

1. It guarantees the obligations involved in contracts to buy goods from Canadian exporters.

2. It provides loans to foreign governments for the purchase of Canadian goods.

3. It permits purchase or guarantee of securities issued by foreign governments to Canadians in payment for Canadian goods.

* * *

Another measure designed to underwrite post-war prosperity in Canada is the proposed "floor" under prices of farm products contained in the Agricultural Prices Support Act introduced by Agriculture Minister Gardiner in the House last week. Provision for an outlay of up to $200,000,000, exclusive of administration expenditures, is called for in the bill.

This measure is decidedly more controversial than the Export Insurance Credits Act, but it points clearly to the fact that Canada is determined to maintain the tremendous gains which she has achieved during the last five war years.

* * *

As was anticipated, the market last week remained a very quiet affair. Veteran traders found it difficult to remember a previous period, even in August, when there was so little activtiy.

The recovery in Saskatchewans continued as a result of a gradual increase on the bid side with no offers to be found. The bids on Canadian Nationals and Dominion external bonds also moved upward slightly, largely as a result of nothing being available on the offering side.

With some of the uncertainty resulting from the current provincial elections due to be cleared up this week, there is reason to hope that before long the stalemate will be broken.

Unlisted Trading And The Exchanges

(Continued from page 579)

did not materially change. Trading in the unlisted department of the Curb waxed and flourished. To admit to unlisted trading privileges, no consent of the issuer or of security holders was required. Any dealer, member or non-member, could apply for such privilege, accompanying his application with a brief description, cursory statistical data and a lick and a promise that an effort would be made to maintain a market.

Under such conditions, it was inevitable that serious charges of manipulation and deception should develop. As a result of an investigation by Attorney General Bennett of the State of New York in 1933, over 1,000 issues were expelled from unlisted trading with the recommendation that this category be abolished.

Nevertheless, as of Dec. 15, 1935, out of a total of 1,085 stock issues traded on the Curb, 753 were unlisted and out of 543 bond issues, all but 40 were dealt in on an unlisted basis.

In its study of trading in unlisted securities on national exchanges (1936), the Securities & Exchange Commission summed up then prevalent objections to such privileges as follows:

1. Full and accurate information concerning the issuer is vital to the proper functioning of a free and open market. A properly functioning exchange market is therefore impossible for unlisted securities.

2. The Exchange should not have power to determine the market in which a security is to be bought and sold without the consent of the issuer.

3. Exchanges frequently admit securities to unlisted trading when no real market exists on the Exchange. In such cases it is frequently contended that the Exchange quotation reflects only a kind of arbitrage against the over-the-counter market.

4. Manipulative practices have been rife in connection with unlisted trading upon Exchanges.

5. The continuance of unlisted trading will involve an unfair discrimination against issuers of listed securities and will, because of such discrimination, tend to discourage listing and encourage delisting.

6. As a practical matter, it is extremely difficult to bring home to the investing public the distinction between a fully listed security and one admitted to unlisted trading privileges.

The report then proceeded to a rebuttal of the objections, in effect, as follows:

1. A rule providing for the registration of all securities, including those dealt in over-the-counter, would serve to provide considerable information on all issues. National Exchanges could establish a limited basis for information which would serve the purpose for unlisted trading.

2. As to whether the issuer or the applicant Exchange should possess the right to determine the market place for a security, the Commission recognized the sole right of neither, and recommended that the Commission be vested with the power of determination "in the public interest."

3. The report conceded that, in the past, there had been many evidences of granting unlisted privileges to securities which had no real market on the Exchange. The Commission averred that it possessed the power to weigh the controlling factors of adequate distribution and local trading activity and to issue orders based on the merits of individual applications.

4. Again conceding the prevalence of past manipulative and deceptive practices, the report referred to Sections 9 and 10 of the Act which provide sanctions against such practices.

5. The report admitted that the exemption of securities granted unlisted privileges from Sections 12, 13, 14 and 16 of the Act (which sections, respectively, deal with registration of securities, periodical and other reports, solicitation of proxies and liabilities of directors, officers and principal stockholders) "seemed unfair," but added that, for practical reasons, the discrimination should be eliminated by gradual adjustment rather than by precipitous change.

6. In respect to confusion in the mind of public between fully listed securities and those admitted to unlisted trading, the report stated that the Commission required that quotations by ticker differentiate between listed and unlisted issues by adding the letter "L" to quotations for listed securities. The Commission admitted, however, that its power to require this differentiation did not extend to persons unconnected with Exchanges, such as newspapers. Thus the confusion continues to exist.

The report further advanced the case in favor of unlisted trading on Exchanges by alleging (a) the probable danger of a serious decline in security values if securities now admitted to unlisted trading should be precipitated onto the over-the-counter markets, and (b) the risk that the smaller Exchanges will lose many of those securities the issuers of which may elect to seek listing rather than to go over-the-counter.

In studying the above pros and cons of the unlisted trading question, it should be remembered that these views were based on conditions as they existed approximately ten years ago, at which time the SEC was somewhat in awe of the vast, over-the-counter market, which it considered unorganized, unregulated and extremely difficult to "police." Thus it may have appeared wiser — and certainly more expedient—at that time to recommend the continuance and extension of unlisted trading privileges on Exchanges from the single standpoint of more feasible surveillance. This thought seems to have received outstanding and almost exclusive basic consideration.

But, since 1936, the SEC has formulated and put into effect many rules and regulations relating to the transaction of business over-the-counter. These rules effectively regulate and control almost every conceivable activity, from the registration of brokers, dealers and securities down to the prescribing of approved confirmations and office forms. The over-the-counter market remains "vast," but it is no longer "unregulated."

Thus the expediency motive so apparent a decade ago can no longer properly be offered in defense of an outmoded philosophy.

Yet, in evidence of a consistent continuation of that philosophy, the granting of unlisted trading privileges on Exchanges reflects no important change. As of Jan. 1, 1944, the New York Curb record disclosed a total of 1,019 stock listings, of which 543 "enjoyed unlisted trading privileges." Of a total of 210 bond issues eligible for trading, only 26 were fully listed.

We believe it is proper to suggest that the Securities & Exchange Commission re-examine the subject of unlisted trading privileges on Exchanges in its entirety. *It is extremely doubtful that the conclusions of 1936 could be honestly arrived at today.* It is rather more likely that the intent of Congress, as expressed in the original act, would be reaffirmed and translated into action and that this hybrid classification would be eliminted.

We have traced the continuing philosophy of the SEC favoring the listing of securities, either fully or by admitting to unlisted trading privileges. We have seen that, in pursuance of its preference for auction markets, the Commission has persistently ignored virtually all relevant factors except that of expediency. We have examined the understandable support of this philosophy by the members of national Exchanges.

Special and Secondary Offerings

Now we arrive at something of a paradox. Members of the national Exchanges, alert to their own interests, have been quick to recognize the value of over-the-counter methods and procedures, particularly in instances when the facilities of the Stock Exchange have proved inadequate for the job at hand. Frankly adopting the profit motive inherently present in retail salesmanship, the Exchanges have brought to a high state of development the marketing devices known as "Special Offerings" and "Secondary Distributions." In simplest terms, these designations are applied to the distribution of securities at net or fixed prices under arrangements whereby the profit paid to the distributor is substantially in excess of the stated comparable Stock Exchange commission.

Shields & Co., members of the New York Stock Exchange, have been prominently identified with this type of distribution. In a brochure entitled, "A Review of Special Offerings and Secondary Distributions, Jan. 1, 1940, to Dec. 31, 1943," the firm lists a total of 1,085 such offerings, embracing the distribution of something over 23,000,000 shares of stock. That the allowable profits incident thereto are generous compared with fixed Exchange commissions may be observed from the following excerpts:

From the following examples, it will be seen that commissions

Date—	Security	Shares	Price	Selling Group Commission	Stock Exchange Commission
4-16-40	Florence Stove Co.	40,000	36⅝	$1.00	$.2166
4-26-40	Merchants Fire	6,000	48	2.50	.2450
12-10-40	Parke, Davis	50,000	30	1.25	.2000
12-11-40	Hammermill Paper	30,000	25⅜	2.25	.1891
3-21-41	Servel, Inc.	50,000	9¾	.62	.1400
6- 2-41	Fairbanks Morse	9,500	35	1.00	.2165
6- 5-41	F. W. Woolworth	50,000	27½	1.00	.1938
12-18-41	Western Auto	5,000	19	1.25	.1725
12-23-41	Bond Stores	32,000	18¼	1.25	.1706
1-26-42	Great Atl. & Pac.	2,272	80½	2.50	.3263
4- 1-42	Cinti. Sub. Tel.	3,000	63	2.25	.2825
5- 1-42	Hartford Steam Boil	1,300	45	2.00	.2375
5-13-42	Standard Stoker	6,000	17	1.50	.1625
6- 3-42	Anheuser-Busch	9,290	56	4.00	.2650
10-13-42	National Linen	19,148	27	3.00	.1925
12-24-42	Lionel Corp.	10,000	9	.50	.1400
3- 1-43	Sunray Oil	70,000	3½	.25	.0800
1-13-43	Kendall Refining	12,100	13¼	1.00	.1581
4- 1-43	Int'l Cigar Mach.	1,000	13⅜	1.00	.1584
4-21-43	Sloss, Sheffield	7,650	110	5.00	.3500
6- 7-43	Electric Pow. & Lt.	1,730	28½	1.00	.1963
7- 9-43	Diamond Alkali	3,700	58½	2.00	.2713
10-25-43	Muskogee Co.	2,650	6¾	.68	.1100

paid ranged as high as ten times the equivalent Stock Exchange commission and, in some instances, the profit exceeded 10% of the amount involved. The profit motive in merchandising securities has been liberally employed in the distribution of blocks too large to be readily absorbed in auction trading. There is no fault to be found with this procedure. It possesses distinct advantages to the sellers, who, in most instances, are administrators, trustees or liquidators of estates. It is fair to the buyers who are assured of an adequate offering at a fixed price. And it affords the distributing dealers and brokers a reasonable profit for the salesmanship involved. We quote from Shield's brochure:

"We believe that the distribution of blocks of securities having investment qualities represents an opportunity for security houses to render a real service to their customers in the field of intelligent merchandising."

Thus is the inter-relationship of the listed and over-the-counter divisions of the securities business graphically illustrated.

Merrill Lynch, Pierce, Fenner & Beane, one of the country's largest member houses, with 88 offices located in 29 States, Washington, D. C., and Cuba, is keenly and aggressively aware of the interlocking elements of the business. The following are excerpts from the firm's 1943 Annual Report:

"Last year the firm's Off-Board revenue increased $583,000 although its percentage of the firm's total security and commodity revenue declined from 18% in 1942 to 13.4% in 1943. We participated in the distribution of 128 primary and secondary offerings.

"Our Off-Board Trading Department, through our offices and wire network, offers unique access to nation-wide supply and demand for unlisted securities such as Governments, State and Municipal bonds, bank, trust and insurance stocks, as well as thousands of important corporate issues. . . . During 1943, this Department handled an average of 6,000 quotations daily and completed 63,301 transactions in unlisted securities, 13,494 more than in 1942. The volume of the firm's business in U. S. Governments was more than tripled over 1942. . . . The firm underwrote or participated with other houses in 24 issues of bonds and 51 offerings of common stocks. Here is an example of a firm alert to the extensive and diversified opportunities afforded by the broad field of investments and finance and fully cognizant of their over-lapping relationships."

Mutual Funds

(Continued on page 593)

Lord-Abbett group of investing companies; a revised folder on **Affiliated Fund**; a new prospectus on **Union Trusteed Funds. . . . Hare's Ltd.**—A folder on the advantages of trading in the groups of **Institutional Securities, Ltd.**

Dividends

New England Fund—A quarterly dividend of 15¢ per share payable July 31 to shareholders of record July 21, 1944.

American Business Shares—An extra dividend of 5¢ per share payable Sept. 1, 1944, to stockholders of record Aug. 15.

Keystone Custodian Fund "K1"—A regular semi-annual distribution of 65¢ per share and a special distribution of 55¢ per share, payable Aug. 15, 1944, to shareholders of record July 31.

Institutional Securities, Ltd. — A dividend of 2¾¢ per share payable Sept. 30 to **Bank Group** shareholders of record Aug. 31.

Spahr Notes Discrepancies In FDR's 1933 Money Policy And Sec'y Morgenthau's Present Views

Prof. Walter E. Spahr, in the August issue of *Monetary Notes*, published by the National Committee on Monetary Policy, calls attention to the change in the Administration's policy regarding currency stabilization since President Roosevelt on July 3, 1933, sent his telegram recalling the American delegates from the World Economic Conference.

Dr. Walter E. Spahr

"The principal grounds on which so many economists and others deplored the Roosevelt telegram of July 3, 1933, which wrecked the World Economic and Monetary Conference in London,'' writes Prof. Spahr, "were not that settlement of basic economic factors did not precede currency stabilization but that the London Conference was designed (1) to solve those problems and to open up foreign trade, and (2) to prepare the way for currency stabilization and a thoroughgoing return to an international gold standard. They objected to the President's excuses, for torpedoing that conference, which were not then pertinent. They condemned his adoption of the policy of currency depreciation and devaluation as a means of raising prices and generating recovery in this country. Many of these economists regarded his wrecking of that conference as one of the great catastrophies of modern times. Some even thought that the conference, had it been permitted to fulfill its purposes, might have enabled the world to avoid the present war.

"Now, some of the President's arguments of 1933 are pertinent to the problems of 1944 in so far as the proper order of attack on international economic and monetary problems is concerned. Today Europe is in a state of chaos. Several countries lack even governments; and the proper order of procedure is, as stated by *The Economist* (London) of May 20, quoted above: first, there must be a stable government; next, the economic conditions that undermine the value of a nation's currency must be corrected, and, last of all, comes currency stabilization.

"Now, Secretary Morgenthau puts currency stabilization first—even before governments are established in several of the countries concerned with this monetary enterprise, and before any serious effort is made to determine what the international political machinery is to be. And, furthermore, be it noticed, the so-called 'stabilization' provided for in the plan for the International Monetary Fund is not real stabilization, such as so many monetary economists wanted in 1933 and want now, but rather a plan for manipulation of monetary standards. It would again unfix our standard gold unit and subject the American people to the uncertainties that surround a monetary standard whose unit of value may be changed at any time.

"The present contentions of Secretary Morgenthau have no better foundation than the unwarranted observations of the President in his message of July 3, 1933. And, moreover, the latter are in sad conflict with the various pronouncements made by the President just prior to the meeting of the London Conference—for instance, his statements issued jointly with Prime Minister Ramsey MacDonald of Britain (April 23-26, 1933); with Prime Minister Bennett of Canada (April 27, 29); with M. Herriot of France (April 28); with Finance Minister Jung of Italy (May 6); with Dr. Schacht of Germany (May 12); with Finance Minister Soong of China (May 18); with Viscount Ishii of Japan (May 27); with Senor Torres of Chile (June 3). In his fireside chat of May 7, 1933, the President said of his conferences with the representatives of foreign nations regarding the planned London Conference:

"'In the conferences which we have held and are holding with the leaders of other nations, we are seeking four great objectives: first, a general reduction of armaments and through this the removal of the fear of invasion and armed attack, and, at the same time, a reduction in armament costs, in order to help in the balancing of government budgets and the reduction of taxation; second, a cutting down of the trade barriers, in order to restart the flow of exchange of crops and goods between nations; third, the setting up of a stabilization of currencies, in order that trade can make contracts ahead; fourth, the reestablishment of friendly relations and greater confidence between all nations.

"'. . . The international conference that lies before us must succeed. The future of the world demands it and we have each of us pledged ourselves to the best joint efforts to this end.'—*The Public Papers and Addresses of Franklin D. Roosevelt* (Random House, New York, 1933), Vol. II, p. 167.

"In his appeal to the nations of the world, May 16, 1933, President Roosevelt said: '. . . To these ends the nations have called two great world conferences. The happiness, the prosperity, and the very lives of the men, women and children who inhabit the whole world are bound up in the decisions which their governments will make in the near future. The improvements of social conditions, the preservation of individual human rights, and the furtherance of social justice are dependent upon these decisions.

"'The World Economic Conference will meet soon and must come to its conclusions quickly. . . .'

* * *

"'Common sense points out that if any nation refuses to join with genuine sincerity in these concerted efforts for political and economic peace, the one at Geneva and the other at London, progress can be obstructed and ultimately blocked. In such event the civilized world, seeking both forms of peace, will know where the responsibility for failure lies. I urge that no nation assume such a responsibility, and that all the nations joined in these great conferences translate their professed policies into action. This is the way to political and economic peace.

"'I trust that your Government will join in the fulfillment of these hopes.'—*Ibid.*, pp. 185-186, 187-188.

"Then on July 3 he sent the message that wrecked the London Conference."

Railroads Are Prepared

Patrick B. McGinnis, in an interesting study issued by Pflugfelder, Bampton & Rust, declares that "Financially the Railroads are prepared for Post-War." Copies of this study may be had upon written request from Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange.

Municipal News & Notes

The forthcoming offering, on Aug. 15, of $17,671,000 Port of New York Authority general and refunding bonds of 1974 is likely to attract keen competitive offers from various syndicates. Outstanding bonds have been consistently strong for some time now and the prospect of an early end of the European war and a collateral diminution in the restraints on passenger car travel, suggests an extension of present market strength. While pleasure driving bans, etc., have naturally curtailed revenues of the interstate agency, the impact has not been unduly severe and certainly not as pronounced as that experienced by some other agencies catering to automotive travel.

As a matter of fact, the record shows that the facilities of the Port Authority have been an important factor in the nation's war economy. This was pointedly demonstrated in figures released July 27 by Chairman Frank C. Ferguson (see Aug. 3 issue, page 505), which showed that 75% of the traffic moving over the Authority's bridge and tunnel facilities is in the highly essential class.

Although passenger car traffic is still considerably below the pre-war volume, a decided improvement is indicated in this category. During the first six months of 1944, such traffic totaled 9,255,465 vehicles, as compared with 10,670,195 in the same period in the normal year of 1941. The 1944 aggregate, however, compares with only 6,279,308 in the first half of 1943.

The number of all types of vehicles using the Authority's crossings in the initial half of 1944 was 13,046,155, as against 13,764,216 in the corresponding period of 1941. The 1944 figures included, for the first time, 413,504 military vehicles. All of these comparative figures serve to indicate the vital importance of the Authority's facilities in both war and peacetime. Moreover, with the return of normal passenger car travel, it is not difficult to foresee the marked expansion in traffic and revenues in prospect for the agency.

In announcing his intention to receive bids until Aug. 15 on the new issue of $17,671,000 refundings (8th series), Chairman Ferguson said that the proceeds of the sale are to be applied toward the redemption of an equal amount of 6th series general and refunding 3s of 1975, which first become callable on Dec. 1, 1945, at 103. If necessary, the Authority will make up the difference between the amount received for the new issue and the sum required for the redemption operation from its general reserve fund. Mr. Ferguson also stated that bidders for the new bonds must name a coupon rate not exceeding 2%.

The last previous appearance of the Port Authority in the long-term capital market was in August, 1943, at which time an issue of $14,281,000 2¾% 7th series refundings of 1973 were awarded. The successful bidder was a syndicate headed by C. J. Devine & Co., New York, which purchased the issue at a price of 101.33711, a net interest cost to the bridge agency of 2.68%. This was the lowest interest cost ever attained by the Authority on long-term borrowings in the 17 years it had been marketing bonds. In addition to the successful group, several other syndicates competed for the issue, with the second high bid of 100.831 being tendered by Halsey, Stuart & Co., Inc., and associates. An account headed by Blyth & Co., Inc., named a price of 99.3099.

Miami Beach, Fla., Tax Roll 99% Collected

The City of Miami Beach, Fla., had collected by June 20 all but $6,404.24 of a total tax roll of $1,722,686.50, according to City Clerk C. W. Tomlinson. Collections represented more than 99% of the amount due and the excellent results were ascribed by Mr. Tomlinson as a reflection of the soundness of Miami Beach, and the stability of general business, housing, real estate and other factors in the local economy.

Miami Beach, by the way, is scheduled to open bids Aug. 16 on an offering of $1,670,000 public improvement bonds. The offering consists of three series: $920,000 Bay Shore Golf Course bonds, $500,000 water supply bonds, and $250,000 sanitary sewer pumping system bonds.

All three issues mature serially from 1946 to 1964 incl. and are noncallable. Although bids may be for all of the bonds or for any individual issue, the rate of interest in any case must not exceed 3½%. The offering represents one of the largest pieces of new capital financing in the Florida municipal market in many months.

Atlantic City Refunding Approved By State Body

Now that the New Jersey State Funding Commission has approved Atlantic City's projected $22,119,000 refunding operation, the next step will be formal promulgation of the plan for consideration of the creditors. In announcing that the commission had approved the plan on Aug. 4, Chairman Walter R. Darby stated as follows:

"The plan will result in an over-all saving to the taxpayer in excess of $3,400,000 over and above all fees and expenses necessary to put the plan in operation. The interest cost, which averages 4.221% on the outstanding bonds which are to be refunded, will be reduced to 3.117% on the new bonds, a reduction of 1.104% on the entire debt of the city. During the time the plan has been before the commission it has been possible, with the concurrence of the city and the bankers, to make modifications which have resulted in this very low average interest cost."

Mr. Darby also observed that as a result of the plan, which was prepared for the city by Stifel, Nicolaus & Co., investment bankers of Chicago and St. Louis, and Wainwright, Ramsey & Lancaster, municipal finance consultants of New York City, the city's annual budget appropriations for debt service over the next twenty years will be materially reduced. The reduction, Mr. Darby said, will range in amounts between $143,000 and $85,000.

Under the plan, the city will replace its present indebtedness, consisting of $20,433,000 general obligations and $1,686,000 of water debt, with new refunding instruments bearing lower interest rates. Atlantic City's financial structure has been materially improved in recent years and this fact alone augurs well for the success of the impending operation. Despite the lower rate contained in the new refunding bonds, the return to investors is still substantial, particularly when compared with the yields now available on municipal bonds generally.

Attractive Situation

Common stock of Federal Water & Gas offers an interesting situation, according to a memorandum issued by Boenning & Co., 1606 Walnut St., Philadelphia, Pa., members of the Philadelphia Stock Exchange. Copies of this memorandum may be had from Boenning & Co. upon request.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 584)

became available; the following coming into the list:

Bendix bought between 37½ and 38½; Lockheed bought between 16 and 17 and U. S. Steel bought between 57½ and 58½. The prices on Bethlehem, Douglas, and Jones and Laughlin remain the same.

* * *

As far as stops are concerned they remain the same as given here last week. If you wonder why stops, when I believe prices are headed higher, the answer is that there are always possibilities of accidents that cannot be guarded against without some kind of protection. While there is no protection that is absolutely safe I have long ago discovered that putting a stop below a stock is one of the methods that has proven its value.

From the action of the tape it doesn't look like stocks will start up for a while yet. I believe they will continue their sporadic declines during which dullness will dominate. But on this decline I think more and more stocks will develop a resistance to selling that will be the tip off to the next phase. Among the leaders of this rally the steels appear likely to stand out. The airplanes also seem to possess the kind of market action which indicates better prices. It is obvious that few so called logical reasons can be found to explain why these groups can go up.

* * *

More next Thursday.

—Walter Whyte

[*The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.*]

Says Independent Poland Essential To Continental Democracy

(Continued from page 579)

selves over such things, for example, as future national boundaries before we have won the united victory which alone can give us the right to control the answers to such questions. The first and paramount necessity is to win this military war with maximum speed and minimum casualty. Dominating every other impulse, we want victory—and then we want our soldier-sons back home.

"On the other hand, we cannot too often remind ourselves—and our allies—of the solemn promises which we have exchanged with each other, of the ideals and objectives which we have mutually sworn to defend—all for one and one for all—and of the obligation which our statesmanship owes to these soldier-sons to match their courage with our own in clinging relentlessly to the winning of a just and lasting peace. We cannot too often search our souls to find if we are keeping faith, or whether we are drifting, or whether we are compromising with expedient appeasement. At least, we of America certainly have the right to discuss events as frankly as do our major allies. We do not have to be the only silent partner in this enterprise.

"And so, upon this occasion, I speak of Poland, typifying other conquered lands; and necessarily I speak of Russia. I would not withhold from Russia any measure of exalted credit for the magnificent and invincible battle, at awful cost and against awful odds, which she wages against our common foe. On the contrary, I proclaim the tremendous fact. I would not withhold full and free and grateful acknowledgment of the cumulative debt which all the United Nations, ourselves included, owe to the Soviet Socialist Republics for the indispensable and intrepid heroism with which they have hurled back the Hitler Huns and brought the hour of our common victory infinitely nearer. I would not withhold the expression of our prayerful hopes that despite the basic difference in our ideologies, these bonds of war shall be cemented in the subsequent bonds of a friendly and cooperative peace.

"But neither would I withhold the equally candid disclosure of our anxieties that we may be drifting toward misunderstanding and bitter disillusionment—which cannot possibly be good for either one of us or any of our allies—unless we speedily restore a better understanding of what we thought we meant when, at the altar of our common sacrifice, we swore to each other to see sovereign rights and self-government rstored to those who have been forcibly deprived of them.

"I have said that Russia fights magnificently. So do others in full and equal measure. So does intrepid Britain and her indomitable commonwealth. So does China, against incalculable odds. So does our America, with a prodigality and devotion unmatched in martial history. So do the nations that have felt the tyrant's heel. Poland, for example—Polish legions at the battle fronts, Polish aces in the air, Polish underground resistance in the stricken home land, the most dangerous belligerence of all. It is a fraternity of combat. It must be followed by a fraternity of peace in which all shall share the decisions and the blessings for which they strive and die.

"I do not mean that we should turn aside now from the war itself to attempt now to settle many definitive questions which must necessarily remain more or less fluid pending victory. But I do mean that we should never for an instant retreat from a firm restatement of our understanding of our mutual pledges; and we should never, by our silence, invite the presumption that we do not intend, at the right time and in the right place, to urge every reasonable and practical achievement of a peace that shall be permanent because it shall be just. Our real war aims should never become a mystery to us or to our allies.

"This leads me to quote from an anxious appeal made to Soviet Russia three weeks ago by a group of unimpeachable American patriots, all of whom were vigorous pioneers in the cause of aid to Russia, and none of whom by any stretch of the imagination could be accused of domestic, partisan malice:

"'The apparent determination of the Soviet Government to insist upon a unilateral settlement of the Polish problem, without mediation or consent either of Russia's allies or the Polish Government, has come as a shock to American opinion. . . . The American and British peoples cannot forget that Poland was the first nation to stop Hitler's procession of bloodless victories. The Poles determined to fight even though war meant the temporary conquest and enslavement of Poland because they believed that the justice of Poland's cause and the loyalty of her allies would insure her resurrection in the end. . . . They made this decision at a time when Russia thought it necessary to collaborate with Hitler; and yet Poland, after suffering untold agony, is now asked to surrender far more to Russia than she refused to give Hitler. . . . We appeal to our Russian allies to take cognizance of the legitimate disquiet of the American people. We ask this not only because it would strengthen our unity in the war and hasten the day of victory, but because it would cement the friendship between the Russian and American peoples in the crucial years to come.'

"Mr. Chairman, that is a friendly and temperate statment. Also, it is an understatement. It is devoid of threats—as it should be. But it is packed with wisdom and with truth. I fully understand that there must be many major readjustments in the peace to come, and that we cannot hope to anticipate the details of these readjustments. But we can hope to preserve the spirit of democracy and self-determination when these readjustments are made. And whether it be at Quebec, or Moscow, or Tehran, or whether it be in the Kremlin or in Downing Street, or in our White House, we can, if we will, keep this precious spirit alive.

"I repeat that I am using Poland tonight as an example. Other conquered peoples invite a similar prayer in their behalf. I repeat, also because it cannot be repeated too often, that the security and welfare of our own United States is always and forever the first charge upon our hearts and hands. Whatever is necessary must be done. It is declared in Holy Writ, 'He who provideth not for his own, and especially for those of his own house, hath denied the faith and is worse than an infidel.' But we can be safe and happy only in a safer and a happier world. Whether we like it or not, we cannot live wholly unto ourselves alone. Whether we like it or not, we face external obligations. Whether we like it or not, we must exert our total influence in behalf of peace with justice.

"And so I ask, What would peace with justice for Poland be?

"Obviously I cannot expect to answer with intimate specifications. No one can today. We have not reached that point. For example, when new Poland shall again arise either as a separate unit or as a sovereign state in what might well become the United States of Europe, there is room for considerable, legitimate difference of opinion as to precisely where new Poland's boundaries should be drawn—although certainly they cannot honestly be drawn along the line of the criminal czarist partition of Poland more than 150 years ago, or the line of the no-less criminal partition of Poland in 1939. As for the so-called Curzon line—it is merely the consultation of authentic history to remember that it was only an armistice line proposed originally by the Supreme Allied Council in 1919 and again when Britain intervened in the Russo-Polish war in 1920, and that it was declined by Russia. The question was settled by the peace of Riga in 1921, representing a reasonable compromise between extreme Soviet and Polish aspirations; and Russia subsequently pressed for treaties of nonaggression based on mutual respect for these existing borders. Let that paramount fact never be forgotten. Poland and Russia concluded such a treaty in 1932 and, at Soviet initiative, extended this pact for 10 years in 1934. Yes, and Poland loyally lived up to these obligations and rejected three offers from Hitler to cooperate on the basis of surrendering territory to Germany in the west at Russia's expense in the east. I simply recite unemotional facts—omitting many other bitter facts—which will deserve full credence when the time to mark new boundaries comes, if we are still wedded to a peace with justice.

"As I have said before, I concur in our own State Department's plea that this is no time—until we have won the war—to start the reallocation of innumerable controversial boundary lines. But if it is no time for us to do so, then it is no time for others to do so either, and I know of no reason why our Government should not persistently and relentlessly say as much. It is a poor rule which does not restrain all the United Nations alike and in equal measure; or which, by the same token, does not permit as great a candor in Washington as is enjoyed by Moscow.

"But I speak tonight upon a broader and more basic phase when I deal with the question, What would peace with justice for Poland be? Our State Department said, on July 23, 1940:

"'The policy of this Government is universally known. The people of the United States are opposed to predatory activities no matter whether they are carried on by the use of force or by the threat of force. They are likewise opposed to any form of intervention on the part of one State, however powerful, in the domestic concerns of any other sovereign State, however weak.'

"That was sound and brave in 1940. It is sound and brave in 1944. It will be sound and brave and right when peace comes to this distraught earth. Let's say it again. Let's keep on saying it so that none may misunderstand our foreign policy. Admittedly we cannot always have our own way about these things because we are not the sole dictators of global destiny; and I do not believe we ever intend, upon our own responsibility, to police the whole, round earth to force our judgments upon others. But we can always assert our ideals and our purpose to cling to them as best we may. Therein lies peace with justice for Poland and for kindred victims of this Axis crime.

"On Aug. 14, 1941, we promulgated the so-called Atlantic Charter. There is plain language in its first three points to which the signatories unreservedly subscribed:

"'1. Their countries seek no aggrandizement, territorial or otherwise.

"'2. They desire to see no territorial changes that no not accord with the freely expressed wishes of the peoples concerned.

"'3. They respect the rights of all peoples to choose the form of government under which they will live; and they wish to see sovereign rights and self-government restored to those who have been forcibly deprived of them.'

"Apply that rule to new Poland and new Poland will be content.

"On Sept. 24, 1941, the Union of Soviet Socialist Republics endorsed these objectives, and on Jan. 1, 1942, joined the other United Nations in dedication to 'the common program of purposes and principles embodied in the Atlantic Charter.' We signed, too. So did Poland. These 'purposes and principles' mean much to Poland, or they mean nothing at all to anybody else. I'll agree that the cruel circumstances of war often alter the best intentioned plans. But they need not alter purposes and principles. Our purposes and principles are not supposed to be the object of unconditional surrender. Yet, if we are to accept, by our silence, some of the unilateral decisions which appear to have already been pronounced by one of our allies—without consultation and without the consent of other allies—we have already mortgaged this portion of our program, regardless of the ultimate triumph of our united arms.

"I go on with the record. Now comes lend-lease. Why did we extend billions of dollars of critical and indispensable lend-lease aid to Russia? To help us win our war. For that purpose, I do not hesitate to say that it has been worth all it cost. But 'our war' is something more than the military defeat of Hitler and Hirohito. That would be only temporary victory. No one need to grope in doubt upon this score. It is written in our lend-lease agreements. For example—and it is a very pertinent example—it is written in our standard master lend-lease agreement with Russia. It was signed on June 11, 1942. He who runs may read. We are extending 'mutual aid in the persecution of the war against aggression.' We are laying the bases 'of a just and enduring peace.' We are mutually subscribing to the 'common program of purposes and principles embodied in the Atlantic Charter.' We are asserting that 'the defense of U. S. S. R. against aggression is vital to the defense of the United States of America.'

"Fit those specifications to Poland, my fellow countrymen, and all will be well. No aggression. A just and enduring peace. Withhold them from Poland—and from other victimized nations in this tragic war—and we shall find that we have merely won another Versailles, then another Munich, and then World War No. 3.

"The record is clear. The future is not. Our promises are clear. Our prospectus is not. Our American 'foreign policy,' as of today, is sound when it puts military victory in this war ahead of every other consideration. Beyond that point, our American 'foreign policy,' as of today, is a vague and often mystifying generality. Frankly, it is largely locked up in the White House—across from which Kosciuszko still dominates Lafayette Square. The poet rightly said of him:

"'Hope, for a season, bade the
world farewell,
And Freedom shrieked, as
Kosciuszko fell!'

"Hope will similarly bid this world farewell if this war does not terminate in a just peace. I have touched but one of its pregnant factors here tonight. I repeat Poland is a symbol. I repeat that I would not disunite the war effort by premature efforts to organize the subsequent peace—particularly on the eve of what may well prove to be the most important military movement in the history of civilization. But I also emphatically repeat that I would never for an instant let the world forget what we think we are fighting for. I would never accept voluntary bankruptcy for our ideals: 'No aggression. A just and enduring peace.' Ah, yes; it is easier said than done. We cannot dictate the charter for the world's tomorrow. Our major allies have earned the right of consultation—and this obviously includes indomitable Moscow. But God knows that we have earned the right of consultation, too. So has suffering, sacrificial Poland. So have others who have flung their naked hearts and lives into this global defiance of a global plague. My prayer—my challenge—is that none shall be forgotten, exploited, or ignored when the great accounting comes.

"'No aggression. A just and lasting peace.'

"Then free Poland in a free Europe—a symbol of the world's emancipation—shall rise again."

Urges "Controlled Decontrol" For Post-War Collaboration

(Continued from page 595)

assumes that parallel action in all the great trading countries will need to be cleared through some effective international mechanism."

Restore "Equal Trading Opportunity"

Arguing that nationalist movements in the different countries following the First World War not only broke down the international clearing system that had been based upon the gold standard, but imposed discriminatory legislation and taxation on foreign enterprises and imposed other trade barriers, Prof. Condliffe maintains that "the first and principal task of commercial policy in the post-war period, therefore, must be to reestablish the principle, and enforce the practice, of 'equal trading opportunity.' This must be done by insisting upon equal treatment as among all foreign traders, and also upon equal treatment between foreign traders and nationals of each trading country. This means security from discriminatory legislation and taxation and the right to equal treatment under national law. It means agreement upon an international trading code, the main provisions of which might well be based upon the approved practice of the nineteenth century, but brought up to date.

"This restoration of cooperative guarantees," he continues, "must precede, but must be supplemented by, a real effort to reduce the trade barriers that have had such an extraordinary growth in recent years. Not only tariff duties which have risen to unwarranted heights, but also customs formalities, tariff classifications and valuations, quotas, licensing systems, various forms of indirect protection, and, above all, exchange controls used as an instrument of 'selective import control,' must be grappled with.

"Reasonable freedom in the movement of goods across national boundaries is the sine qua non of a properly functioning system of internationl economic cooperation; but it must be supplemented by reasonable freedom of capital transfers. This presupposes security of investment, not indeed against business risks, but against the unpredictable occurrence of currency devaluation, blocked exchanges or discriminatory treatment. In the nervous and incalculable conditions likely to follow the close of a great war, it is not likely that productive capital movements will take place freely.

Rather the exchanges must remain under control to prevent flights of capital. Special arrangements and guarantees may be needed for a time; but in the long run, freedom and security of capital transfers must be resumed.

"Stability of the exchanges in a free market can only be the consequence of a gradual restoration of active trade and investment. Such restoration of active trade will be impeded if the exchanges are allowed to fluctuate violently in the immediate post-war period. But for the time being de facto stability must probably be maintained by arbitrary agreement. The finding of appropriate rates at which the controls over exchange can gradually be relaxed will be one of the most important tasks to be performed in the period of controlled decontrol following the close of hostilities."

"Controlled Decontrol"

Regarding other controls, which may be required as an aftermath of war, Prof. Condliffe holds that there should be a period of "controlled decontrol."

"The period during which control will have to be maintained as a pivot upon which to swing from war to peace cannot be estimated at the present time," he states. "It will almost certainly vary in respect of different types of control. Freedom of the exchange market may need to be postponed until trade is again proceeding freely and some measure of security and stability has returned to the world's capital markets. The world cannot look forward to the immediate restoration of a smoothly functioning system of international economic cooperation."

"Decontrol is necessary," he continues, "if enterprise is to function. But too sudden abandonment of war controls would, as after the last war, expose an unbalanced economic situation, glaring shortages of some commodities and surpluses of others, a scarcity of labor in some industries and an oversupply in others, prices out of line, not only in the sense of industrial costs not being geared to prices of finished products, but also in the sense of the prices of whole categories of goods and services being out of equilibrium — farm prices with industrial products and wages with the cost of living.

"A prudent policy would seek out the strategic points at which to maintain minimum controls while proceeding as rapidly as possible to demobilize harassing procedures."

New Factors in International Relationships

Considering next the new factors in international relations, following the war, Prof. Condliffe remarks that "while normal trade has been interrupted, there have inevitably been great shifts in the organization of industry, including agriculture. In large measure these shifts may well prove uneconomic by peacetime standards; but it will not be an easy or painless process to revert to more efficient types of international specialization. Australia, faced by imminent invasion, has taken long strides on the road of industrial development. With the first heavy costs written off as a war expense, much of this development may turn out to be competitively efficient; but in any case there will be resistance to any considerable reversal of it. In the same way, China lost the great bulk of whatever industry it possessed within the first few weeks of invasion and will certainly strive to establish a much greater industry more securely at inland bases. The U. S. S. R. will be confirmed in its policy of interior development. India also has expanded its industrial capacity very considerably. Examples of this kind might, indeed, be drawn from almost every region and it seems unlikely that world trade will be allowed, as it was after the last war, to flow back into the pre-war channels with little change. It is probable that world trade will be increased but its direction will be changed.

"Even if there had not been extensive severance of the trading connections built before the war, there would necessarily ensue a critical period at the close of the war during which a new, and in many ways different network of world trade may be woven. The tapering off of mutual aid in the immediate post-war period will provide an opportunity to feel out the new situation. Inter-governmental negotiations will be necessary to set up a new framework within which private traders may exercise their initiative. By Article VII of the Mutual Aid agreements the United Nations have committed themselves in setting their obligations, to 'expansion by appropriate international and domestic measures of production, employment and the exchange and consumption of goods . . . to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers.' Negotiations in fulfillment of this commitment will provide the occasion for setting up an international trading code and eliminating the most vexatious obstacles to trading enterprise."

Calendar Of New Security Flotations

OFFERINGS

MICROMATIC HONE CORP. has filed a registration statement for 76,000 shares 5% cumulative convertible preferred stock (par $10). The preferred is convertible into 75,000 shares of common stock (par $1). Proceeds will be available for general corporate purposes. Watling, Lerchen & Co., Detroit, is named principal underwriter. Filed July 10, 1944. Details in "Chronicle," July 20, 1944.

Offered Aug. 3, 1944 at $10 per share by Watling, Lerchen & Co., Townsend, Dabney & Tyson, Cruttenden & Co., First of Michigan Corp. and E. H. Schneider & Co.

NORTHERN INDIANA PUBLIC SERVICE CO. has filed a registration statement for 220,078 shares of 5% cumulative preferred stock, par $100 per share.

Company is offering to the holders of its 7%, 6% and 5½% preferred stocks the opportunity to exchange their shares for shares of 5% cumulative preferred stock on a share for share basis, plus a cash payment as follows: (1) as to the 7% preferred stock $13.533 per share; (2) as to the 6% preferred stock $5.766 per share; (3) as to the 5½% preferred stock $3.133 per share. Exchange offer expires Aug. 31, 1944. Continental Illinois National Bank & Trust Co., Chicago and Chase National Bank, New York, are exchange agents. The First Boston Corp. has formed a group of security dealers to solicit acceptances of the exchange offer.

WALTER E. HELLER & CO. has filed a registration statement for 27,500 shares of 5½% cumulative preferred stock (par $100), with nondetachable common stock purchase warrants attached, and 55,000 shares of common stock (par $2). A maximum of 15,731 shares of 5½% cumulative preferred, with warrants, will be offered in exchange for the 7% cumulative preferred stock outstanding. Any of the 15,731 shares not accepted in exchange are to be included among the shares to be purchased by the underwriters. Offering price to the public is $104 a share. Each warrant will entitle the holder to purchase two shares of common stock at $15 per share on or before Sept. 30, 1947, and at $17.50 per share thereafter to Sept. 30, 1950, when the warrants expire. Net proceeds will be applied to the retirement by redemption or exchange of 62,927 shares of 7% cumulative preferred, par $25, at $26.50 per share. Balance of the net proceeds is to be used by the company for general working funds. F. Eberstadt & Co., New York, heads the group of underwriters. Filed July 19, 1944. Details in "Chronicle," July 27, 1944.

Offered Aug. 4, 1944 at 104 and dividend by F. Eberstadt & Co.

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

THURSDAY, AUG. 10

BIRMINGHAM ELECTRIC CO. has filed a registration statement for $10,000,000 first mortgage bonds, series due 1974. Interest rate will be supplied by post-effective amendment. Price to the public will be filed by post-effective amendment. Company is a subsidiary of National Power & Light Co. which is the sole owner of the 545,610 shares of its outstanding common stock. The net proceeds, together with such additional cash from its general funds as may be required, will be used for the redemption, at 101 and accrued interest, of all of the company's first and refunding mortgage gold bonds, 4½% series due 1968, outstanding in the principal amount of $10,000,000. The bonds will be offered by the company for competitive sale pursuant to the Commission's competitive bidding Rule U-50. The names of the underwriters will be filed by post-effective amendment. Filed July 22, 1944. Details in "Chronicle," July 27, 1944.

THE E. KAHN'S SONS CO. has filed a registration statement for 35,000 shares 5% cumulative preferred stock (par $50). Company intends to offer to the present holders of 7% cumulative preferred stock, par $100, the opportunity of exchanging such holdings for 5% cumulative preferred, par $50, on the basis of one share of the former for two and one-fifth shares of the latter, with adjustment in cash for accrued dividend. It is the intention of the company to call for redemption at the earliest call date all 7% cumulative preferred not exchanged at the call price of $110 per share and accrued dividends. Any unexchanged stock acquired by underwriters will be offered to the public at $50 per share. There are 10,397 shares of the $100 par preferred stock outstanding. Westheimer & Co., Cincinnati, Ohio, is named principal underwriter. Filed July 22, 1944. Details in "Chronicle," July 27, 1944.

SATURDAY, AUG. 12

DERBY GAS & ELECTRIC CORP. has filed a registration statement for an undetermined number of shares of common stock (no par). Proceeds are to be used in connection with the acquisition of the securities of the Danbury & Bethel Gas & Electric Light Co., from Cities Service Power & Light Co. Filed July 24, 1944. Details in "Chronicle," Aug. 3, 1944.

MONDAY, AUG. 14

ATHEY TRUSS WHEEL CO. has filed a registration statement for 71,590 shares of common stock (par $4). The shares are issued and outstanding and do not represent new financing by the company. Brailsford & Co., and C. O. Kalman, Paul R. Doels and Edwin White are considered to be the principal underwriters. Filed July 27, 1944. Details in "Chronicle," Aug. 3, 1944.

THURSDAY, AUG. 17

INDIANA & MICHIGAN ELECTRIC CO. has filed a registration statement for 120,000 shares of cumulative preferred stock (par $100). The dividend rate will be supplied by amendment.

Address—220 W. Colfax Ave., South Bend, Ind.

Business—Public utility company.

Proceeds—Company proposes to make a loan from not more than six New York City banks in the amount of $7,880,000 and use proceeds for purchase for cancellation of 544 shares of old 7% and 35,473 shares of old 6% preferred of Indiana from American Gas & Electric Co. for $3,596,749, and for redemption and cancellation of 38,731 shares of old 7% preferred and 245 shares of old 6% preferred of Indiana now in the hands of the public, at the redemption price of $110 per share plus accrued dividends. The cost of these two transactions is placed at $3,596,749 and $4,287,360, respectively. Proceeds from sale of the new preferred and common stocks are to be applied to the payment of the bank loan. Balance will be included in general corporate funds of Indiana and used to acquire property and for construction purposes.

Underwriting—The preferred stock is to be sold subject to the competitive bidding rules of the Commission. Names of underwriters will be filed by amendment.

Offering—The offering price to the public will be supplied by amendment.

Registration Statement No. 2-5435. Form S-1. (7-29-44).

SUNDAY, AUG. 20

MISSISSIPPI POWER & LIGHT CO. has filed a registration statement for $12,000,000 first mortgage bonds series due 1974. The interest rate will be filed by amendment.

Address—Lampton Building, Jackson, Mississippi.

Business—Public utility.

Underwriting—The bonds will be sold under the competitive bidding rule of the Securities and Exchange Commission and names of underwriters will be filed by amendment.

Offering—The offering price to the public will be supplied by amendment.

Proceeds—Net proceeds from the sale of the bonds and $2,000,000 principal amount of promissory notes, together with such additional cash from its general funds as may be required, will be used to redeem at 102½ the $15,000,000 first mortgage gold bonds, 5% series due 1957.

Registration Statement No. 2-5437. Form S-1. (8-1-44).

FOUNDATION PLAN INC. has registered 250,000 shares of Foundation Trust Shares, Series A.

Address—52 Vanderbilt Avenue, New York City.

Business—Investment trust.

Underwriting—Foundation Plan Inc. is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5438. Form C-1. (8-1-44).

ARTLOOM CORPORATION has filed a registration statement for 100,000 shares of common stock (no par).

Address—Allegheny Avenue and Howard Street, Philadelphia, Pa.

Business—Manufactures and sells wool and worsted Wilton rugs and carpets.

Underwriter—Stroud & Co., Inc., Phila.

Offering—Holders of common stock of record Aug. 4, 1944, will be given the right to subscribe to the new common stock at $5 per share in the ratio of one share for each two shares then held.

Proceeds—Almost the entire net proceeds will be used to retire the company's preferred stock which it is estimated will require approximately $470,235. Any balance will be added to the working capital of the company.

Registration Statement No. 2-5439. Form A-2. (8-1-44).

BUFFALO BOLT CO. has filed a registration statement for 141,054 shares of common stock (par $1). Of the total 78,834 are to be sold for account of the company and 62,220 for account of certain stockholders.

Address—North Tonawanda, N. Y.

Business—Leading independent manufacturer of a complete line of standard bolts and nuts, etc.

Underwriting—Van Alstyne, Noel & Co., New York, head list of underwriters. Others will be supplied by amendment.

Offering—Price to the public is $6 per share.

Proceeds—Company's proceeds will be used to augment its working capital and for other corporate purposes. Proceeds from sale of 62,220 shares will go to the selling stockholders.

Registration Statement No. 2-5440. Form S-2. (8-1-44).

MONDAY, AUG. 21

CARRIER CORP. has filed a registration statement for 70,000 shares of cumulative preferred stock (par $50). The dividend rate will be filed by amendment.

Address—300 South Geddes Street, Syracuse, N. Y.

Business—Engaged in air conditioning, refrigeration, and industrial heating business.

Underwriting—The principal underwriters are Harriman Ripley & Co., Inc., and Hemphill, Noyes & Co., both of New York.

Offering—Of the 70,000 shares registered, 66,506 are being offered by the corporation to the holders of its common stock for subscription pro rata at the rate of 16 shares of preferred for each 100 shares of common stock held of record at the close of business Aug. 18, 1944. Subscription warrants will be exercisable beginning Aug. 19, 1944, and will expire at the close of business Aug. 25, 1944. The subscription price will be filed by amendment. The underwriters are offering to the employees of the corporation at a price to be filed by amendment any shares not subscribed for by the holders of common stock or otherwise purchased by the underwriters. Any remaining shares will be offered to the public at a price to be filed by amendment.

Proceeds—Part of the proceeds will be applied to the retirement of $1,558,000 10-year 4½% convertible sinking fund debentures. Balance will be available for expenditures on plant or for other corporate purposes.

Registration Statement No. 2-5441. Form S-1. (8-2-44).

WEDNESDAY, AUG. 23

NATIONAL CYLINDER GAS CO. has filed a registration statement for 35,000 shares of cumulative preferred stock (par $100). The dividend rate will be completed by amendment.

Address—205 West Wacker Drive, Chicago, Ill.

Business—Manufacture and sale of industrial gases, welding rods, welding electrodes, etc.

Underwriting—Principal underwriters are Paine, Webber, Jackson & Curtis and F. S. Moseley & Co., Chicago. Others will be supplied by amendment.

Offering—Price to the public will be filed by amendment.

Proceeds—Proceeds will be added to the cash funds of the company to be available for general corporate purposes. Pending specific allocation, some of the proceeds may be used to carry additional receivables and inventories, to increase bank balances and to pay current liabilities.

Registration Statement No. 2-5442. Form A-2. (8-4-44).

THURSDAY, AUG. 24

CENTRAL SOYA CO., INC., has filed a registration statement for $2,250,000 sinking fund debentures, due Aug. 1, 1959. Interest rate will be supplied by amendment.

Address—300 Old-First Bank Building, Fort Wayne, Ind.

Business—Engaged in the processing of soybeans.

Underwriting—The underwriters are Glore, Forgan & Co., $900,000; First Boston Corp., $450,000; A. G. Becker & Co., Inc., $300,000; Bacon, Whipple & Co., Kebbon, McCormick & Co., and Reynolds & Co., $200,000 each.

Offering—Price to the public will be supplied by amendment.

Proceeds—Part of the proceeds will be applied to the purchase and cancellation or redemption of $1,400,000 aggregate principal amount of first mortgage and leasehold 4% sinking fund bonds due Nov. 1, 1952. Balance will be added to working capital of the company.

Registration Statement No. 2-5443. Form A-2. (8-5-44).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ARDEN FARMS CO. has registered 35,714 shares of $3 cumulative and participating preferred stock, without par value. Company has offered to holders of its preferred stock rights to subscribe for shares of the new preferred at the rate of one share for each 2½ shares held at $45 per share. Company proposes to sell to the public any shares not subscribed. Net proceeds will be used to improve the cash and working capital positions of the company and to the acquisition of additional plants. No underwriters named. Filed June 21, 1944. Details in "Chronicle," June 29, 1944.

BROOKLYN UNION GAS CO. has filed a registration statement for $12,000,000 25-year sinking fund debentures due Aug. 1, 1969. Company plans to refinance its entire outstanding debt by the issuance and sale to the public of $12,000,000 debentures and the concurrent issuance and private sale of $30,000,000 general mortgage sinking fund bonds, 3¾% series, due Aug. 1, 1969. The net proceeds of the sale of the new securities will be applied together with approximately $6,000,000 from the general funds of the company to the following purposes: payment at maturity May 1, 1945, of $14,000,000 first consolidated mortgage 5% bonds; to pay at maturity $6,000,000 first lien and refunding mortgage bonds, series A, 6%, due May 1, 1947; $10,000,000 to redemption on Nov. 1, 1944, of $10,000,000 first lien and refunding mortgage bonds, series B, 5%, due May 1, 1957, and $18,000,000 to redemption on Sept. 9, 1944, of 20-year 5% debentures. The last two redemptions involve the payment of $300,000 and $360,000 in premiums, plus interest, respectively. F. S. Moseley & Co., Boston, is named principal underwriter. Filed June 29, 1944. Details in "Chronicle," July 13, 1944.

C. E. Paige, President of the company, announced Aug. 3, 1944 that company had entered into a firm agreement with Halsey, Stuart & Co., Inc., for the sale of the proposed $30,000,000 of mortgage bonds and $12,000,000 of debentures. Halsey, Stuart & Co., Inc., has agreed to pay not less than 100 for the bonds as 3½s and not less than 100 for the debentures as 4s, providing the company will submit both issues to competitive bidding.

The New York State Public Service Commission previously had denied the company permission to sell the $30,000,000 of bonds privately to insurance companies and declared that both the bonds and debentures should be thrown open to competitive bidding.

EMPIRE DISTRICT ELECTRIC CO. has filed a registration statement for $10,600,000 first mortgage bonds, 3½% series due 1969, and 350,000 shares of common stock (par $10). The shares of stock are issued and outstanding and are being offered for the account of Cities Service Power & Light Co. The net proceeds to be received by Empire District from the sale of the bonds, together with the net proceeds from the sale of 6,500 shares of 5% cumulative preferred stock, par $100, which the company expects to sell contemporaneously with the issue and sale of the bonds are to be applied to the redemption at 101¾ of $10,044,900 first mortgage and refunding bonds, 5% series, due March 1, 1952, and to the redemption at 105 of $851,200 of Ozark Power & Light Co. first mortgage sinking fund 5% bonds due March 1, 1952, assumed by Empire. Empire District Electric Co. which is controlled by Cities Service Power & Light Co. proposes to acquire by merger the properties of Ozark Utilities Co., Lawrence County Water, Light & Cold Storage Co. and Benton County Utilities Corp. In conjunction with this merger Cities Service Power & Light Co. is surrendering all the securities of the constituent companies owned by it in exchange for an aggregate of 350,000 shares of common stock, $10 par, of the Empire District Electric Co. Both the bonds and stock will be offered for competitive bidding under the Commission's competitive bidding rule U-50. Names of the underwriters will be filed by amendment. Filed July 1, 1944, Details in "Chronicle," July 6, 1944.

EQUIPMENT FINANCE CORP. filed a registration statement for 14,000 shares 4% non-cumulative series 2 preferred, par $100. Price to the public $100 per share. Proceeds for acquisition of factory and warehouse buildings and additional trucks. Filed May 19, 1944. Details in "Chronicle," May 25.

EXCESS INSURANCE CO. OF AMERICA has filed a registration statement for 48,981 shares of capital stock (par $5). Shares are to be offered for subscription to present stockholders of record May 31, 1944, on a pro rata basis at $8 per share. Net proceeds will be added to company's capital and surplus funds. Unsubscribed shares will be sold to Lumbermens Mutual Casualty Co. for investment. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

FLORIDA POWER CORP. filed a registration statement for 40,000 shares cumulative preferred stock (par $100). The dividend rate will be supplied by amendment. Net procceds from the sale of the new preferred stock, together with additional funds from the treasury to the extent required, are to be applied as follows: Redemption of 28,762 shares 7% cumulative preferred at $110 per share $3,163,820; redemption of 5,940 shares of 7% cumulative preferred at $52.50 per share $311,850; donation to Georgia Power & Light Co. to be used for redemption of certain of its securities as provided in recap plan of that company $1,400,000; payment to General Gas & Electric Corp. for 4,200 shares of $6 preferred of Georgia Power & Light Co. $75,600, and expenses $80,000, total $5,031,270. Stock is to be offered for sale by the company pursuant to Commission's competitive bidding Rule U-50, and names of underwriters will be filed by post-effective amendment. The succesful bidder will name the dividend rate on the stock. Filed July 21, 1944. Details in "Chronicle," July 27, 1944.

(This list is incomplete this week)

The Securities Salesman's Corner

By JOHN DUTTON

The Power Of A Plain Everyday Illustration To Make A Strong Selling Point Vivid And Clear

Securities buyers are not all professional investors who know and understand the many details which make up the science of successful investment procedure. In fact, the vast majority of the millions of small investors throughout this land must rely almost 100% on the guidance of the securities dealers and their salesmen, who do the bulk of the investment business which is transacted by this type of investor.

One of the problems which most salesmen must face from day to day is that they must make an impression on the mind of the securities buyer who does not know much about securities, so that they can guide their customer into the proper channels of investment. It is one thing to talk to a professional investor, such as a bank, insurance company, or large individual buyer of securities, who will either see the merits of a situation or he will pass it by. Such an investor can appreciate the entire business picture, the merits or demerits of an individual offering, and he understands a professional approach to the subject.

But when you come to the point of sitting down in the living room of John and Mary Jones' little cottage, and you begin discussing the "where's and why's," of why they should purchase, or sell, a certain security, it is an entirely different matter.

First of all these people are not professional investors. They do not make investment their business. This is not to say that they are unintelligent—by far the opposite is usually the truth of the matter. But John Jones may be a merchant, or an engineer, or a doctor. Also his wife is usually a competent business manager in her own right—it takes management today to run a home and do a good job of it. Secondly, these so-called middle-class investors (who make up such a large segment of the nation's bond and stock owners), do NOT HAVE A LARGE FUND AVAILABLE FOR INVESTMENT AND THEIR SAVINGS REPRESENT A VERY PRECIOUS NEST-EGG WHICH THEY MUST HUSBAND EVEN MORE CAREFULLY THAN THE LARGE INVESTOR. For these reasons it is therefore much more difficult to do a good job of investment counselling for them than would otherwise be the case.

When we say "investment counselling" we mean just that. Some security dealers today seem to be in the dark about whether or not they should act as counsels and advisors for their clients. This is clearly and definitely the position of every security dealer in the business today, whether he is registered as an investment counsel with the SEC or not. NO SECURITY DEALER WHO IS DEVELOPING A CLIENTELE OF SATISFIED CUSTOMERS TODAY CAN POSSIBLY ACT IN ANY OTHER CAPACITY PROVIDING HE WISHES TO DO A GOOD JOB FOR HIS CLIENTS AND HAS THEIR WELFARE AT HEART. He must advise the purchase of certain securities, and he must direct the selling of others. Whether or not he acts as principal or agent, if his customers think enough of him to buy a security from him, they also want him to tell them when a security should be sold. A security may be a purchase today, unforeseen events or changes in the economic and political situation may make that same security an undesirable investment tomorrow. Anyone who does not appreciate the truth of this statement shouldn't be connected with the securities business. The obligation to direct advise, oversee, and protect an investor's position remains a continuing obligation as long as he holds a security which he has bought upon the advice and urging of any security dealer.

But oftentimes it is extremely difficult to explain the subtle nuances and intangible factors underlying a situation to this type of investor. As we have said before, he doesn't know—at best his understanding of all the factors involved in analyzing a situation is limited. But if he is to be guided along the right channels of investment HE MUST BE LED BY THE SALESMAN WHO IS DOING THE TALKING AND THE EXPLAINING.

This narrows down to the best way to do it. After trial and error most competent securities salesmen, we believe, will agree that the most efficient method of making a point clearly visible and understandable, is TO MAKE IT SIMPLE. Put it into language the investor can understand. We once heard a preacher say that Jesus teachings reached all of the millions who follow his religious tenets today because he always spoke in parables. He always gave an illustration, he said, "Do you see?" He took the highest moral principles that learned Rabbis of his day spent weeks in discussing, and he boiled it down to "let he that is without sin cast the first stone."

Bringing it down to cases we will use an illustration of our own. A salesman was sitting with a husband and wife and he was urging the purchase of a security, because among other things, the company behind the bonds had excellent management. Now management is a vital factor in judging the future of any company and the securities which it has issued. But management in itself is a difficult proposition to explain. It is an intangible—but it exists nevertheless. This salesman turned to the wife and he said, "You know what good management means Mrs. X, you have always impressed me as the type of person who knew the value of a dollar, and you know how important it is in running a home and rearing a family. With good management a home can usually be a successful and happy enterprise, without management it is an impossibility to achieve either one." Then he looked at the husband and said, "Isn't that right?"

He explained the importance of management. The same can be done with practically any other phase of security salesmanship—and securities must be sold—they don't sell themselves. That's what a good securities salesman gets paid for when he sells a security—advice, guidance, counsel, PLUS A STOCK OR A BOND—and it takes "KNOW HOW" TO DO IT.

Senator George Offers Compromise Measure On Reconversion And Unemployment

Seeks To Defeat Murray-Kilgore Bill Criticized As Setting Up Another NRA

As a substitute for his own bill on reconversion and unemployment, Senator George (Democrat) of Georgia, joined on Aug. 8 with Republican leaders in offering a new compromise bill for the transition period, it was noted in advices on that date to the New York "Journal of Commerce" from its Washington bureau, which also stated:

Directly aimed at defeat of the controversial Murray - Kilgore measure, which includes Federal unemployment compensation standards, the new measure reflects earlier recommendations of the Baruch-Hancock reconversion report and was believed to have won the support of Republicans at a special session which preceded opening of the Senate debate.

Senator George paved the way for his compromise proposal by citing estimates by Social Security Board Chairman Altmeyer that, with a peak of 8,000,000 unemployed during the two years following end of the war, the cost of the Murray-Kilgore measure would be some $10,500,000,000. Double that number of unemployed would cost $21,000,000,000, Mr. Altmeyer was quoted as having said.

State standards for unemployment compensation would remain unaltered under the compromise proposal, drawn up by Senator George and Senator Robert A. Taft (Republican), Ohio.

Vote by Thursday was thought likely by Senator George after close of today's debate. During the day's session Senator George had first offered his limited proposal to extend State unemployment compensation to Federal workers, without affecting State standards, but to set up a revolving fund for supplementing State funds if needed.

Senator James E. Murray (Democrat), Mont. countered by proposing amendment of the George bill by adding, without removing the George provisions, the entire Murray-Kilgore measure. The third development came just before close of the session when Senator George brought forward the compromise plan.

Specifically, the compromise would: (1) Throw out the Murray-Kilgore provisions establishing an Office of War Mobilization and Adjustment; (2) substitute for Title II of the bill relating to industrial demobilization and reconversion proposals not essentially different, although eliminating a provision which says that civilian production should not be restricted to plants previously producing a particular item; (3) drop the Murray-Kilgore bill Title III, relating to retraining and re-employment of war workers and returning servicemen, and substitute a title on retraining and re-employment. The latter is drafted along simple lines and eliminates controversial features such as continuance of the United States Employment Service for a two-year period, and Federal compensation standards;

(4) Include the original George bill plan for State unemployment compensation for Federal workers;

(5) Retain Murray-Kilgore bill provisions relating to housing and public works (Title IV) and miscellaneous matters (Title V).

The above action figured in the first day's (Aug. 8) Senate debate on the proposed legislation. In our issue of a week ago (Aug. 3, page 487) we referred to the reconvening of Congress after its recent recess and the plans incident to demobilization and reconversion legislation.

On Aug. 2 the unemployment compensation phase of post-war reconversion got a Congressional head start on other parts of the problem (said the Associated Press) with Senate Finance Committee approval of a bill to bring 2,000,000 Federal employees under the benefit program while leaving full control of rates and standards to the States. The advices added:

"The Committee acted in an executive session less than 24 hours after the bill was introduced by its chairman, Senator George. Thus advocates of the 'States rights' policy of caring for discharged war workers stole a march on supporters of rival bills under which Congress would fix uniform scales of benefits substantially higher than existing State rates.

"The latter bills are due to come up tomorrow before the Senate Military Affairs Committee and may also be speedily sent to the floor."

On Aug. 4 the Senate Military Affairs Committee approved by a vote of 10 to 7 the so-called "liberal" Kilgore-Murray industrial, demobilization and reconversion bill, denounced by opponents, according to Washington advices to the New York "Times" by C. P. Trussell as representing a formula for a post-war NRA and WPA. Criticisms of the bill on Aug. 5 came from Republican and conservative Democratic Senators said the "Times" which had the following to say in part:

Attacks were made on the bill today (Aug. 5) by Senator Richard B. Russell, Democrat, of Georgia; Senator Robert A. Taft, Republican, of Ohio, and Senator Chapman Revercomb, Republican, of West Virginia. The attacks covered the whole bill, but were centered chiefly on its provisions of unemployment compensation up to $35 a week until two years after the war for war workers made idle by reconversion and creation of a work administrator who would supervise the retraining and re-employment of war workers and returning service men.

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*Omitted this week because of space limitations.

Final Edition

ESTABLISHED OVER 100 YEARS

In 2 Sections—Section 2

The Commercial and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

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The Financial Situation

Critics of the Administration are quite correct when they assert, as they have been doing frequently of late, that the Roosevelt regime, despite all it has had to say about preparing for peace, is in fact by no means ready for the end of the war. Should peace come, as we all must hope, at some not distant date, it would find the powers that be confused, uncertain, and unprepared. In a short time they would in all probability be at work improvising.

Governor Dewey was no less right the other day when he remarked that the task of getting this country back on a peace basis, economically speaking, with full employment will require a degree of competence which this Administration has not yet shown in anything—unless it be, as the Governor did not add, in getting votes. The "opposition" is also on strong ground when it insists that Government cannot give or guarantee "full" employment; that only private industry is capable of full and effective utilization of the labor force.

Panaceas of No Avail

It is well that the public be told again and again that talking glibly and acting wisely about post-war procedures, plans and programs are two quite different things. Likewise wholesome should be a constant and effective reiteration of the truth that a high state of real prosperity and a healthy state of business are not conditions which a government, no matter how well intentioned, or even how capable, can produce. Certainly it would be helpful if the rank and file can be fully and finally convinced during the months to come that the more abundant life they have been told so much about and promised so often is not at all likely to be realized as a result of any panacea or whole systems of panaceas, but that

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National City Bank Points To Large Foreign Balances Available For Post-War Reconstruction

Holds A Substantial Part Of Funds Needed For This Purpose Is In Accumulated Dollar And Sterling Balances

The August issue of the National City Bank's monthly Letter contains an interesting and instructive discussion of the need for credit and capital for world reconstruction. In view of the agreement to establish a Bank for Reconstruction and Development, recently adopted by the 44 United and Associated Nations at Bretton Woods this discussion is exceedingly timely, particularly as it presents a viewpoint of the situation which is generally ignored or overlooked. We therefore give space below to the Bank's full comments on the subject.

That the repairing of a war-shattered world will require the nations to work together in the supplying of relief, the rebuilding of disordered economies, and the stabilization of currencies is everywhere recognized. That this will involve international credits, both short- and long-term, and—in the case of relief in devastated areas—outright gifts, is likewise not seriously questioned. Nor is there much argument over the proposition that the United States, because of its strong monetary position and great productive resources, must play a leading role in world reconstruction if recovery is to succeed and bring the peace and prosperity to which people aspire.

The differences of opinion are not over the **principle** of providing relief and credit for reconstruction, but over the question of how much help is needed and how it should be supplied. Much of the discussion of post-war international lending has seemed to imply a world outside the United States impoverished and without purchasing power, and chiefly dependent upon credits from this country to get going again.

In the natural preoccupation with ways and means of expanding international credit facilities in order to speed reconstruction and avert the chaos that many fear after the war, it would be easy to overlook the large and rapidly growing volume of gold and foreign exchange held outside the United States, or to the possibilities of internal generation of capital in financing rehabilitation and expansion in war-torn countries. Yet both considerations bear directly upon the size of the post-war international credit problem.

Growth of Foreign Gold and Dollar Resources

In weighing these factors, gold and dollar resources should come first. Most countries will be in need of materials and equipment from abroad, and gold and dollars

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Republican Governors' Conference Under Dewey Enunciates 14 Post-War Policies

The subject of reconversion and post-war jobs heads the list of statements of policy (14 in all) adopted by the Conference of 26 Republican Governors at St. Louis, held under the leadership of Thomas E. Dewey, Republican nominee for President. The Conference opened on Aug. 2, and adoption of nine principles portraying the Governors' views were adopted on Aug. 3; the other five having been adopted on Aug. 4.

Thomas E. Dewey

With respect to reconversion the Conference declared that "industry must be enabled to convert to peace time production immediately when war needs permit. Employers must be enabled promptly to know the policies of the Federal Government so they may prepare now for reconversion." The Conference further asserted that "the national Administration is now standing squarely in the path of the future employment of our returning veterans and millions of displaced war workers. Comprehensive and immediate action by the national Government is imperative to provide for prompt contract termination and plant clearance."

Other statements of policy adopted at the Conference on Aug. 3 bore on war veterans and their future; Federal aid in building and maintaining highways; public works planning; Federal acquisition of public and private lands, which it is noted, "has been increasing at an alarming rate"; the National Guard and organized reserves, as to which the statement of policy said:

"In the post-war period we shall need substantial armed forces, including the National Guard and organized reserves, together with the Reserve Officers' Training Corps, to afford an adequate national defense at all times." The statement further says "the New Deal is now seeking to undermine and abandon our traditional State National Guard system. Such action would ignore past experience; it would amass under centralized Federal control our entire military force in peacetime; it would deprive the various States of the military forces essential to the safety of their people."

As to agriculture the Conference set out its views on Aug. 3, in part as follows: "Agriculture must be free of the unreliable controls and restrictions and the impractical and whimsical restraints that now hamper production and create confusion."

Under the head "Unemployment Compensation Insurance and Employment Service" the Conference, in enunciating its policy, said:

"The public employment service which the States made available to the Federal Government for the purpose of mobilizing labor has been used by the present Administration to extend its political control over labor. These facilities should be returned to the States as soon as is consistent with the best interests of those seeking employment and the conclusion of the war effort."

On the subject of insurance the Governors recorded their stand in part as follows:

The several States . . . over a period of 75 years have developed an extensive and efficient system of regulation. This system is flexible, and it is designed to meet the varying needs of individual States. . . . There should be preserved in the States, where it belongs, the exclusive power to regulate and control the insurance business.

The further five points in the statement of policy adopted Aug. 4 had to do with "Labor," "Public Expenditures," "State, Federal Tax Co-ordination," "Social Welfare, Education and Public Health" and "Water Resources." In the matter of taxation it is contended that "proper co-ordination of State-Federal taxation requires elimination of much double taxation and relief from the intolerable burden on our people of making innumerable reports." The Conference recommends that there "be set up a permanent organization of responsible representatives of the executive and legislative branches of the national Government and the States, which will work on the problem of tax co-ordination until a proper solution is found."

The Conference of Republican Governors was referred to in our Aug. 3 issue, page 521. The statements of policy adopted at the Conference follow:

Reconversion and Post-War Jobs

The great problem of permanent peace-time jobs can be adequately met only by private business under an enterprise system. This system depends upon the individual initiative and organizing genius and energy of all our people. Only through this system and ever-increasing production can there be steady and lasting

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GENERAL CONTENTS

Editorial

From Washington Ahead Of The News

By CARLISLE BARGERON

Back in the 1936 Presidential campaign, Mr. Roosevelt, who prides himself on being the "slickest" politician the American people have ever been up against, wanted to make Governor Landon look small and provincial, not the "big," worldly wise man that he is, a man whose mother took him to Europe when he was a boy and who speaks French. It was the same sort of campaign the New Dealers are making on Governor Dewey.

Carlisle Bargeron

Anyway, a very slick stunt was worked out on Governor Landon. All of a sudden, the New Dealers set up a hue and cry about its being amazing that the campaign had been in progress for a month or so and there had been no discussion of foreign affairs. Come to think of it, they said, ability to conduct the nation's foreign affairs was the prime requisite of being President. In this sort of background, Mr. Roosevelt went up to Chautauqua, N. Y., to tell of his broad knowledge of foreign affairs. He tossed around the names of foreign countries and foreign leaders like nobody's business. Then he said profoundly that the real trick of a successful foreign policy (and a successful foreign policy is one that keeps a country out of wars) is to watch the little day by day events, little events that would go unnoticed by the people as a whole. That was something which Mr. Roosevelt alone was prepared to do. Cordell Hull, our Secretary of State, sorrowfully wagged his head and told friends that he would give anything if he could really get the President interested in these little

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Russo-American Ideas

"Special meaning must be given to the 'Declaration on the Question of All-World Safety,' as worked out at the Moscow Conference, expressing the readiness of the great democratic powers to take practical actions toward the establishment of an International Organization of Safety (IOS).

"The conclusion from all that written above (about the League of Nations) is that the IOS must be built on the basis of firm, active leadership of the great powers. These powers must organize the directive organ of the new organization. They must take upon themselves the obligation to counter any aggression and, if necessary, with their own armed forces independently from other members of the organization.

"The responsibility for the peace must not be divided among 60 or more Governments. It must not be put upon some impersonal organization. It must be put upon large Governments, which possess real strength for it. Taking this into consideration, we would suggest that the great powers should also sign agreements among themselves to prevent counter-aggression.

* * *

"What about the international police force? Only those who think of a new world organization the same as the League of Nations think in terms of an international police force.

"Plans for an international police force are utopian. To counter an aggressor today it is necessary to have hundreds of all kinds of weapons and technical equipment. It is quite clear that such an army cannot be built up in some single neutral country where the IOS is established. In a neutral country this army would be isolated from its source of supplies."—N. Malinin.

Since Mr. Malinin is said to expound the Soviet view with authority, we evidently have here a sort of counterpart of certain recent unofficial official expositions of President Roosevelt's ideas on these subjects.

The difference between the Russian and the President's ideas are apparently not great. They both seem to envisage a world which must sneeze when three "great powers" take snuff.

Changes In Bank Loans To Farmers 1934-43—Study Released By Cleveland Reserve Bank

Country banks which have adjusted their lending methods to changed conditions during the last 10 years have been rewarded with a greater share of agricultural loans than have banks which have hesitated to modernize their lending policies, according to the conclusion of a comprehensive study released on Aug. 2 by President M. J. Fleming of the Federal Reserve Bank of Cleveland on changes in commercial bank lending to farmers during the decade, 1934-1943.

The study, made by Phil S. Eckert, Agricultural Economist for the Reserve Bank, is based on a detailed examination of the lending methods and policies followed by a representative group of 113 country banks in the major agricultural areas of the Fourth Federal Reserve District. It is the first of a series of studies in the fields of finance, industry and agriculture which will be published by the Research Department of the bank, headed by Vice-President Kenneth H. MacKenzie.

Asserting that "there appears to be a direct relationship between the adoption of new practices in the farm lending field and changes in loan volume," the study declares:

"Banks which lengthened the time of their loans, which adopted or increased the use of amortization and chattel mortgages, and which lowered interest rates, showed increases in loan volume, both in real estate and short-term farm credit fields.

"By contrast, those banks whose policies remained unchanged, or moved counter to these new lending practices, experienced loan volume reductions."

The study makes it clear, however, that further improvement in bank lending services to farmers is possible and necessary. It said: "The character of the changes disclosed, however, that rural banks might give careful consideration to the further adaption of their lending practices in order to be of greatest service in financing Fourth District agriculture."

In addition to pointing to the relationship between changed methods and loan volume, the study aimed to measure the degree of change in specific practices throughout the district.

It was found, for example, that there was a marked change in favor of amortization rather than lump-sum payment as a method of repaying farm real estate loans. In 1934 only 24% of such loans were amortized, the report showed, but by 1943 this had risen to 55%.

The study cites that about two-thirds of the reporting banks had reduced their interest rates on farm real estate loans during the decade covered, that about one-third had made no change and that none had increased interest rates.

"Of every $100 which the reporting banks had outstanding in farm real estate loans in 1934," the study found, "about $88 had been lent at a 6% interest rate. Ten years later, the 6% rate applied only to about $46 out of every $100 outstanding.

"In 1943, 54% of the total real estate loans were at rates of less than 6%, whereas, 10 years earlier, less than 2% were at rates of less than 6%."

Similar reductions in interest rates were apparent on non-real estate loans made to farmers. Other factors discussed in the study included: The uses, sizes and lengths of loans, loan placement charges, chattel mortgages and minimum charges.

Wiley Memorial Symposium At Chemical Soc. Meeting

Science and industry will unite in a Harvey W. Wiley Memorial Symposium at the 108th meeting of the American Chemical Society which is to be held in New York City September 11-15, it is announced by Dr. Thomas Midgley, President of the Society. The symposium will commemmorate the 100th anniversary of the birth of Harvey W. Wiley, "Father of American Food Chemistry," who was born on Oct. 18, 1844. The event will be sponsored by the Society's Division of Agricultural and Food Chemistry. Dr. N. B. Guerrant of Pennsylvania State College, Chairman of the Division, will preside. Food quality, to attain which Wiley finally secured in 1906 the passage by Congress of the Food and Drugs Act, will be the major theme of a dozen addresses by food experts. T. M. Rector of New York, Vice-President of General Foods Corporation, will speak on "Quality in Fruits and Vegetables." E. C. Thompson of New York, director of the laboratories of the Borden Co., will discuss "Quality in Dairy Products." "Visual Aspects of Quality Control and Quality Research with Beverages and Foods," will be the topic of a paper by D. Foster, E. C. Ziegler, and E. H. Scofield, of Joseph E. Seagram & Sons, Inc., of Louisville, Ky.

A. L. Winton of Winton Laboratories, Wilton, Conn., a former associate of Wiley, will present a paper on "Harvey W. Wiley, the Father of American Food Chemistry." "Quality in Meat and Meat Products" will be the subject of O. G. Hankins, U. S. Department of Agriculture, Washington, D. C. A number of others are scheduled to speak at the convention, which is sponsored by the North Jersey section of the Society. The general chairman is Dr. Horace E. Riley of the Research Division of the Bakelite Corp., Bloomfield, N. J., and head of the North Jersey Section. Dr. August Merz, advisory executive of the Calco Chemical Division of American Cyanamid Co., Bound Brook, N. J., is Honorary Chairman.

City Of Brisbane Bonds Drawn For Redemption

The National City Bank of New York, as fiscal agent for the loan is notifying holders of City of Brisbane 30-Year Sinking Fund 5% Gold Bonds due March 1, 1957, that $42,000 aggregate principal amount of bonds have been drawn by lot for redemption at 100% of the principal amount on Sept. 1, 1944. The bonds called for redemption should be presented with all unmatured interest coupons at the head office of the National City Bank, 55 Wall Street, N. Y. On and after the redemption date interest on the drawn bonds shall cease.

Guests Of N.Y. Stock Exch.

Charles J. Hardy, Chairman of the Board of ACF-Brill Motors Company; John E. Rovensky, a director, and L. P. Philp, Assistant to the President, were guests on Aug. 3 at the Exchange of Emil Schram, President, upon the occasion of the company's shares being admitted to trading. The visitors witnessed the opening transaction in their stock, in company with Julius Bliss, specialist, and after visiting other parts of the building, were entertained at luncheon.

The State Of Trade

With the advent of victory will come the relaxation of war controls on business and industry. In the early phases of the conflict these devices were applied and in some respects refined to accomplish a worthy purpose. In their application some were benefited by them and on others they worked a real hardship. Under the stress of war personal interests became secondary to the good of the nation as a whole and this holds true in our return to a peacetime basis.

In sounding a warning against too hasty an abandonment of war controls in the early stages of reconstruction, J. B. Condliffe, Professor of Economics at the University of California, in a study entitled "The International Economic Outlook," and released on Monday of this week by the Committee of International Economic Policy, of which Winthrop W. Aldrich, President of the Chase National Bank, is Chairman, advocated that, "decontrol is necessary if enterprise is to function." By this, Mr. Condliffe didn't mean that all controls be thrown to the four winds, but suggested an orderly process of what in his study, be called a "controlled decontrol."

Touching upon the high spots of the study, it stated "the principal task of post-war commercial policy will be to establish the principle and practice of equal trading opportunity. Healthy markets must be recreated and exchanges stabilized in order to secure a high level of employment and decent living standards."

The study stressed the point that government policy in the period of "controlled decontrol" should be definite, since there will have to be an adjustment of costs and prices in the reconversion from war to peacetime production.

Taking up the problem of restoring international trade, the study added that it "calls first for the unscrambling of property rights in the areas of enemy domination and then for measures to forestall inflation. In summing up, Mr. Condliffe observed that "in the successive emergencies of recent years so much stress has necessarily been laid upon the regulation of all sorts of prices, including prices and exchange rates, that the more important necessity of maintaining active and healthy markets has come to be forgotten. The foundation of prosperity is abundant production and free interchange, not nicely regulated equity."

The purpose of the Committee on International Economic Policy, which was formed one month ago in cooperation with the Carnegie Endowment for International Peace is "to further the serious and competent study of the issues which confront all the free peoples of the world."

WLB Chairman's Prediction—The hope for industrial peace, "a consummation devoutly to be wished," was expressed by Chairman William H. Davis of the WLB this week. He predicted that labor and industry, having learned to make mutual sacrifices in the war years, will be willing in the large sense to do business together. Mr. Davis' formula for this attainment is a basic agreement between the working men and the employers, both defining their goals. Concluding, he stated that it was his belief that labor and industry feel they can ill afford a pitched battle any more in peacetime than they could afford one in wartime.

Annual Per Capita Tax—It is interesting to compare the per capita tax of President Roosevelt's administration with some of his predecessors, which reveal the following:

George Washington	$1.02
Andrew Jackson	2.42
Abraham Lincoln	6.05
Theodore Roosevelt	7.70
Woodrow Wilson	28.58
Herbert Hoover	23.28
Franklin Roosevelt	101.44

The figures for Mr. Roosevelt's administration cover the entire 12 years of his term. As the tax rates in the early years of his tenure were extremely low in comparison to the present rates, they do not give a correct picture of the situation as it exists today. The actual per capital tax collected last year amounted to $335.73.

Per Capita Federal Debt—At the end of President Roosevelt's 12th year, it will require a payment of $1,962 by every man, woman and child in this country to pay for our national indebtedness. The comparison with other administrations follows:

George Washington	$20.95
Andrew Jackson	.03
Abraham Lincoln	85.01
Theodore Roosevelt	15.11
Woodrow Wilson	225.89
Herbert Hoover	183.24
Franklin Roosevelt	1962.00

The invisible mortgage of the average taxpayer is now increasing at the rate of $377.14 annually. The public debt at the end of Herbert Hoover's administration was $22,538,672,164, while the official estimate of the national debt at the end of the 1945 fiscal year is $258,000,000,000. It is also interesting to note that the receipts during President Roosevelt's administration totaled $160,073,270,777 against expenditures of $369,791,966,466, the deficit amounting to $209,718,695,689. These stupendous figures for the nearly 12 years of Mr. Roosevelt's administration dwarf into insignificance the receipts of $91,586,076,130, the expenditures of $112,203,367,065 and the deficit of $20,617,290,935 representing the fiscal record for the 30 Presidents who served our country during the 144½ years previous to the Roosevelt administration.

Living Costs—For the month of June living costs pursued an irregular trend. From the National Industrial Conference Board we find that living costs rose in 33 out of 63 industrial cities during the month of June. These costs were lower in 23 of the cities surveyed and remained unchanged in seven. Indianapolis experienced the largest gain of 1.8%, while in three other cities the increase was 1.0% or more. The largest decline occurred in Newark and amounted to 1.0%.

June living costs exceeded the same month a year ago in 28 cities with Chattanooga and Indianapolis recording the largest increases during the period with an advance of 2.7%, while 33 cities showed declines.

For the nation as a whole, the cost of living stands 0.1% higher than a year ago, and 21.4% above January, 1941.

Business Failures — Business failures in the United States declined for the period ended July 27, to 19 from 29 in the previous week and 48 in the corresponding week of 1943, Dun & Bradstreet reports. A record low of 15 was set in the week ended July 13. Concerns failing with liabilities of $5,000 or more numbered 10 compared to 21 in the previous week and 33 one year ago.

Farm Machinery — A ray of hope was afforded farm tool makers in the way of increased raw material allocations over the next 12 months, United Business Service reported the current week. Rapid reduction in the industry's output of war equipment has called for further liberalization of civilian quotas. In addition, a period of three months' grace has been provided so that deficiencies in quotas for the previous 12 months can be made up.

From the same source it is understood that because of the high level of farm income and the former drastic limitations on agricultural equipment output, producers were assured of a sizable demand for their regular products for some time. As for output, it will be stepped up to equal the 1940-1941 level, unless parts shortages or labor troubles interfere.

Weekly Summary of Trade and Industry—News from the war fronts continued to run in favor of the Allies, but notwithstanding this, the stock market displayed weakness on a reduced share volume. Industrial activity in some instances reflected a somewhat higher trend for the week with scheduled production of steel ingots and castings in the week beginning Aug. 7, placed at 97.0% of capacity, slightly higher than in the previous week when output attained 96.9% of capacity. Electric kilowatt output also revealed a slight advance, being 3.9% above the similar week one year ago. Carloadings of revenue freight were 7,499 cars above a week ago, or 0.8%, and 2.8% higher than the 1943 week.

As for net railway operating income, before interest and rentals, of the Class I railroads of the country for the first half of 1944, they declined from $712,176,144 to $551,424,141. In the coal industry, anthracite coal output was 30,000 tons above the previous week, but showed a decline of 132,000 tons, or 9.5% under the same week in 1943. Bituminous coal displayed a rise of 3% over the previous week, or an increase of 365,000 tons. Crude oil production slumped below the level of a week ago, while lumber shipments from the 505 reporting mills for a like period were better by 1.1%. New orders of these mills, however, dipped by 10.6% below output for the previous week. Paper and paperboard production also established gains for the week. In the retail trade, department store sales for the nation at large were unchanged from the previous week, but reflect an increase of 11% over the similar week in 1943, while in New York City, they exceeded the 1943 week by 8%, and by a like increase for the year to July 29, 1944. Retail food volume also ran ahead of the 1943 week by 10%.

Steel Production—The American Iron and Steel Institute announced last Monday that the operating rate of steel companies (including 94% of the industry) will be 97.0% of capacity for week beginning Aug. 7 compared with 96.9% one week ago. This week's operating rate is equivalent to 1,735,500 tons of steel ingots and castings compared with 1,704,000 tons one year ago.

The highly favorable news currently coming to hand from the various war fronts would, one would suppose, have a tendency of relieving the pressure on many phases of our war production, but according to this week's "Iron Age," the steel industry found itself in the tightest delivery situation of any time since the war began. There was a slight advance in steel ingot output the past week, which was more than offset, the above source states,

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Schwoon Named Member Of Panel Of Arbitrators

John H. Schwoon, Assistant Secretary of the Guaranty Trust Company of New York in its foreign department, was elected on July 26 a member of the National Panel of Arbitrators of the American Arbitration Association. Thomas J. Watson, President of the International Business Machines Corporation, a director of the Guaranty, is a director of the Association and Chairman of the Inter-American Commercial Arbitration Commission. Other officers of the Guaranty Trust Company active in the affairs of the Association are W. R. Strelow, Vice-President; P. F. Swart, Jr., Second Vice-President, and A. N. Gentes, Second Vice-President, all of the Foreign Department of the Bank.

Report Of Home Owners' Loan Corp. For 1943

Accounting to Congress on the work of the Home Owners' Loan Corporation up to the end of 1943, John H. Fahey, commissioner of the Federal Home Loan Bank Administration, reported on Aug. 5 that the HOLC has liquidated its cumulative total of loans and property investments by nearly 60%—from $3,486,000,000 to a balance of $1,434,000,000. The statement also said that the Corporation has sold more than 93% of the houses it was obliged to take over in all parts of the country through foreclosure and other causes. The marketing of 183,862 of the 197,366 houses acquired by the Corporation represents the largest merchandising task of the kind in the nation's history. Other features of the report are: On Dec. 31, 1943, the Corporation owned 13,504 houses, equivalent to only 1.3% of the 1,017,821 loans it refinanced to aid home owners and financial institutions from 1933 to 1936; the loan accounts of the Corporation have been cut down to 692,000, or by 32% — chiefly through payments of borrowers' and purchasers' balance in full ahead of requirements.

A total of 102,895 loans were paid off in full during 1943. In addition, borrowers made advance payments amounting to $63,025,000; during the last half of 1943 alone, total liquidation of HOLC accounts amounted to $200,081,000; sales during the six months effected a reduction in the capital value of real estate owned by HOLC from $191,289,828 to $96,455,077. Of the million home owners refinanced by the Corporation — all of whom were facing loss of their properties when HOLC stepped in with its long-term loans at low interest rates — less than one out of five have gone to foreclosure; the number of employees of the Corporation on Dec. 31, 1943, was 3,241, as compared with 20,811 at the peak of its activity. The advices regarding the report also state:

"Extensive sales of real estate by the Corporation began in 1938. The HOLC policy was to sell the dwellings as rapidly as possible at fair market prices, meanwhile earning rental income on them. As sold, properties were replaced by cash and by purchase money mortgages, the interest income from which served to reduce losses.

"In recent years foreclosures by the HOLC have been few and its unsold real estate has been largely in certain middle Atlantic and New England States, where, until last year, there has been little recovery in property values from the low point of the depression. Suffering a 55% drop in wage payments and billions of losses in savings and investments in the years from 1929 to 1933, these States have presented the nation's greatest urban mortgage problem. This condition was accentuated by a decline of more than 2,000,000 in population there from 1940 to 1943.

"In other parts of the country HOLC made rapid progress in disposing of its properties. From 1938 to 1941 sales averaged 3,400 a month. Not until 1942, however, did the market in the Northeastern States begin to permit the absorption of houses of the old type such as HOLC had taken over.

"The marked real estate demand in that section in 1943 enabled the Corporation to make sales far in advance of the schedules. Properties owned by the HOLC nationally on June 30, 1943, totalled 26,041. Over one-half of these, or 13,151, were sold by Dec. 31 — nearly double the number it was possible to dispose of during the same months of 1942. More than 11,000 of these sales were made in the Northeastern States. Sales in this area have been helped by reductions in high tax assessments which the Corporation has been able to secure by appeals to local authorities. In the four years, 1940-1943, it obtained such reductions in the four largest States there amounting to $34,641,363 and representing tax savings of $1,206,862. The increased sales activity is continuing in 1944.

"Nearly 171,000 of the houses marketed to date by the Corporation were sold on instalment contracts. Only 2% of these have had to be taken back.

"Prices secured by HOLC on its properties compare favorably with those obtained by private lending institutions, the report said. Recent recordings in an Eastern State disclosed that on a large group of houses HOLC recovered 89% of assessed valuations on sales as compared with a 55% recovery by 41 private financial institutions selling properties in the same localities at the same time.

"At the year-end, the Corporation reported book losses of $293,538,781 on the capital value of properties it has sold, losses which largely stem from the Corporation's policy of leniency to borrowers who eventually had to be foreclosed. On the offsetting side, HOLC had accumulated a net income of $201,193,143 from interest on its loans, plus rentals of properties while in its possession — leaving a net realized loss on that date amounting to $92,345,638. This amounts to 2.6% of the total of loans made by the Corporation.

"The prices the Corporation received on the properties it sold totalled $49,321,001 less than the amount it originally loaned on them. The balance of the book losses was due to taxes and insurance, $84,642,795; repairs and reconditioning, $77,542,422; foreclosure costs and other expenses, $26,944,940; unpaid interest, $10,493,692 and management and selling costs, $44,035,868. Outside of these costs, which were chiefly incidental to the carrying and sale of foreclosed houses in a depressed market, the Corporation's book losses on these properties was but 6.8% of the original amount loaned on them.

"Although unexpectedly rapid sales in 1943 and 1944 have recently increased book losses, it was pointed out that such losses next year and thereafter should be correspondingly less than previously estimated because of the much smaller number of houses yet to be sold, and net operating income should increase."

Living Costs In June Up

The cost of living for wage-earners and lower-salaried clerical workers in June rose in 33 of 63 industrial cities surveyed by the National Industrial Conference Board. The Board's announcement of Aug. 7 further stated:

"Living costs were lower in 23 of the cities, and remained unchanged in 7 of them.

"The largest gain, 1.8%, occurred in Indianapolis. In three other cities the increase was 1.0% or more. The largest decline, 1.0%, occurred in Newark. For the United States as a whole, the cost of living remained unchanged.

"Living costs were higher this June than in June, 1943, in 28 cities. Chattanooga and Indianapolis recorded the largest increases during the twelve-month period with an advance of 2.7%. Thirty-three cities showed declines, while Lansing and Wausau, Wisconsin, showed no change for the year. The cost of living for the United States as a whole stands 0.1% higher than a year ago, and 21.4% above January, 1941."

Collection Of $5,000,000 Fund By CIO Proposed By Group To Promote Reelection Of Roosevelt

The hope of the Political Action Committee of the Congress of Industrial Organizations to collect a dollar each from the 5,000,000 or more members of the CIO with the view to using the funds to "promote the reelection of President Roosevelt and the election of a sympathetic Congress," was made known by Sidney Hillman, Chairman of the committee, on July 22, it is learned from Chicago advices on that date to the New York "Herald Tribune," in which it was further stated:

Mr. Hillman said that the CIO-PAC would direct the expenditure of whatever fund is collected through these voluntary contributions, an announcement that caused some surprise, since it had been generally expected that such a fund would be turned over to the newly formed National Citizens' Political Action Committee to avoid a conflict with the Smith-Connally Act, which bars political contributions by labor organizations.

Mr. Hillman announced in Washington last week that what was left of the $700,000 already raised by the CIO-PAC would be "frozen" until after Nov. 7, which led to the assumption that future fund raising would be left to the NCPAC.

Mr. Hillman said today, however, that the CIO-PAC itself would both collect and spend the dollar contributions from CIO members, with half of it being used by the National organization and half by local and regional offices.

The NCPAC will have its own separate campaign fund and will function as a separate organization despite their identical aims, he said. Philip Murray, President of the CIO, said he and Mr. Hillman could not say how the funds for this group would be raised, pointing out such an announcement should not come from the CIO office since other groups are represented on this committee.

Messrs. Hillman and Murray indicated that some of the mystery regarding the relationship of the two committees might be cleared up at a national meeting of the NCPAC scheduled for New York Aug. 5 or 6. They said that an "outstanding liberal" would be named honorary chairman of the group at this meeting.

Prime Minister Clarifies Australian Position On Monetary Fund And World Bank Proposals

Following is text of a statement issued in Canberra on July 24 by Australian Prime Minister John Curtin:

"In view of conflicting reports regarding the Australian Government participation in the United Nations Monetary and Financial Conference, I wish to make our position quite clear. The Australian Government accepted the invitation for its officials to take part in the Conference in accordance with the convenors' clear and specific intimation that neither the participating Governments nor their officials would enter into any commitment. The Conference was to be confined to the experts selected by each country, and was a preliminary to Governments considering the work the experts would do with a view to any agreement being ultimately made on the Ministerial level.

"When public announcements were made in a form which gave the impression that an agreement was being entered into by the parties to the Conference regarding the establishment of an International Monetary Fund and a Bank for Reconstruction and Development, we took steps to define our own position. We were assured that the signature of the final act of the Conference would be a certification that the record to which the signature was attached was an accurate record of proceedings. In the light of that assurance the leader of the Australian delegation (Mr. L. G. Melville) was instructed to sign the final act of the Conference, his signature being followed by the words 'for purposes of certification.' No document other than the final act of the Conference has been signed.

"The position of the Australian Government, therefore, is that it has neither accepted nor rejected the results of the Bretton Woods Conference. It has maintained its view that on a matter of such importance decision can be made only after consideration by the Australian Government and Commonwealth Parliament.

"Statements implying that Australia had adopted an isolationist attitude in these monetary discussions, and that the Commonwealth Government's only utterances on the subject have been to dissociate itself from the decisions of the Conference are not warranted. As I stated in Parliament on July 19th, 1944, unless any proposed monetary agreement impinged grievously upon the interests of the country in some way, I would be quite prepared to give the most sympathetic consideration to it. Our representative, Mr. Melville, has been in constant communication with me, and his part in the proceedings was a valuable contribution to evolving a proposed agreement, notwithstanding that at times such a conclusion did not appear probable. The Commonwealth Government will give deep and sympathetic consideration to the proposals formulated at the Conference as soon as full details are received, and will refer them to Parliament at the earliest opportunity."

New Treasury Ctf. Offering In Exchange For Issue Maturing Aug. 1

The Secretary of the Treasury announced on July 20 an offering, through the Federal Reserve Banks, of ⅞% Treasury Certificates of Indebtedness of Series E-1945, open on an exchange basis, par for par, to holders of Treasury Certificates of Indebtedness of Series D-1944, maturing Aug. 1, 1944. Cash subscriptions will not be received. The subscription books were closed at the close of business July 22.

The new certificates will be dated Aug. 1, 1944, and will bear interest from that date at the rate of ⅞ of 1% per annum, payable semi-annually on Feb. 1 and Aug. 1, 1945. They will mature Aug. 1, 1945. They will be issued in bearer form only, with two interest coupons attached, in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000. The Treasury announcement also said:

"Pursuant to the provisions of the Public Debt Act of 1941, interest upon the certificates now offered shall not have any exemption, as such, under Federal tax acts now or hereafter enacted. The full provisions relating to taxability are set forth in the official circular released today.

"Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington, and should be accompanied by a like face amount of the maturing certificates. Subject to the usual reservations, all subscriptions will be alloted in full.

"There are now outstanding $2,545,392,000 of the Series D-1944 certificates."

The Financial Situation

(Continued from first page)

on the contrary the various tricks devised by the dreamers for the ostensible purpose of helping to bring such a state of affairs about are certain to have precisely the opposite effect.

Many of us need to learn, or at least to realize, that the economic conditions we have set as a sort of post-war goal for ourselves will be reached, if at all, through the energy, the initiative, and the "know how" of American industry. It has become quite common for some who ought to know better to say rather pontifically that American industry is "on trial," that it "must" give employment to virtually every one who wants it—or "they" will take matters in their own hands, and either through existing government or by some other means provide that which American industry has not provided. What utter nonsense! It may be that the majority of the American people may presently become so foolish as to try some such "experiment." It may be that some demagogue with the aid and support of the day dreamers and the communistic labor leaders will some day be able to convince enough of the voters of the country to launch upon horribly expensive programs for which all things are promised. If so, however, nothing could be more certain than that it will be found by painful experience that such schemes, such programs, the communistic state, or whatever is tried will fail much more miserably than American industry ever did to meet the demands of the discontented. It can, however, do no harm to do whatever appears feasible to make certain that the people understand the true inwardness of all this and thus escape much suffering which otherwise would be their lot.

Give Business a Chance!

It must furthermore be hammered home during the months immediately ahead that if American industry is to succeed in bringing into existence after the war economic conditions which we all want, it must be given a real opportunity to operate free from badgering and constant nagging by dozens of Government bureaus. During the past decade the rules under which the game of business is played in this country have been radically modified. These modifications make it the more difficult for American industry to perform the tasks demanded of it. Drastic alterations, usually in the direction of restoring the situation existing before the New Deal was instituted in Washington, are a sine qua non of full performance by industry when the war is over. Here it is that the Administration is weakest of all. The Republicans have not as yet been particularly explicit about this aspect of the matter. Indeed one at times gains the definite impression that they believe in far fewer modifications and far less drastic change in all this than would be good for the country. We can only hope that such impressions derive from the fact that the party has not as yet taken the opportunity to make fully clear what its position is in regard to these matters. The thoughtful man would, it seems to us, turn with much more enthusiasm from the New Deal to the opposition if he were more certain that there was less of the New Deal in the present day Republican system.

Old Socialist Doctrines

There is, however, an aspect of all this neither Democrats nor Republicans have shown fondness for discussing. It is this: Whether or not the returning service man or war worker is able to find work or other opportunity to make a living will depend in very large measure upon himself. To hear most of the discussion these days one would suppose that the seeker after work is inevitably ensnared in such a way that he can do nothing to help himself—and nothing to injure his opportunity for work or profit. There is great danger that this false idea will gain wider and wider acceptance among the unthinking—with results little if any short of disaster. Some such doctrine generally applied has long been the stock in trade of the socialists, communists, and many other "ists" who would overthrow the system which has made America great.

Of course, those who have for years been arguing in this way have been able to point to the thousands who in the early days of the great depression walked the streets in vain effort to find work. It is quite natural that many of these men and women should be rather easy victims of the wholly unfounded idea that those who work for others are wholly helpless in our modern economic system, which must in some way be compelled to accept "responsibility" for providing work for all who want it—as if there were any "economic system" wholly apart from the very people who, according to these doctrines, must be supported by it. But natural or not, it is unfortunate for these individuals to obtain any such false impression.

Must Help Himself

Leaving all else out of consideration it is obviously a fact that the men who draw wages or salaries in the ordinary business affairs of the country can, and do, come very nearly "making or breaking" their employers. If in the post-war period returning service men and war workers—and the others, of course—insist that the world owes them a living for a relatively few hours of work each week, and for work done carelessly or slowly, it will be that much more difficult for them all to find opportunities either to work for wages or salaries or to make a profit in business for themselves. If on the other hand, the near-miracle should happen, and what is known rather vaguely as "labor" should under its own leaders bestir themselves seriously, sincerely, and vigorously to earn their pay in full, and to perform in such a manner that their employers can afford to pay them even more—then the story will be quite a different one.

The economic status of the returning service man and war worker in the post-war years will in no small measure depend upon himself. Are there no politicians courageous enough to tell him so?

Norway Makes Final Payment On 1924 Loan

In an informal meeting in the Board of Directors' room of The National City Bank of New York, on July 31, Wm. Gage Brady, President of the bank, received the final payment on Norway's 20-year $25,000,000 loan from Ambassador Wilhelm Morgenstierne. Norway arranged two 6% loans in 1923 and 1924, both due in 20 years. The first, for $20,000,000 was paid off a year ago. The total repaid on the two loans since the Nazi invasion of Norway in Apr. of 1940 is about $16,000,000, in addition to interest payments. Noting that the repayment took place despite enemy occupation of Norway's homeland, the New York "Herald Tribune" of Aug. 1, said:

"Mr. Morgenstierne was accompanied by members of the Norwegian delegation to the recent Bretton Woods conference, Wilhelm Keilhau, Ole Colbjornsen and Arne Skaug. . . .

"Both bonds have been quoted on the New York Stock Exchange since their inception."

Fox Heads Retail Dry Goods Ass'n Office

Irving C. Fox, General Counsel for the National Retail Dry Goods Association, and long associated with the late Harold R. Young who was head of the Association's Washington Bureau, will now be the executive head of that office "and will be reinforced by suitable additional personnel as promptly as the necessary arrangements can be made," it was announced on July 17 by Lew Hahn, general manager of the Association.

Kenneth Mages, CPA, attached to the Detroit office of Ernst & Ernst for the past four years, is joining the Controllers' Congress of the National Retail Dry Goods Association on Aug. 1, it was made known by Mr. Hahn. Mr. Mages was originally engaged as assistant to the general manager of the Congress, but inasmuch as H. I. Kleinhaus, who has held the general management post for several years, is leaving, Mr. Mages will assume, for the time being, the responsibilities of acting manager.

National City Bank Points To Large Foreign Balances Available For Post-War Reconstruction

(Continued from first page)

represent purchasing power available for use anywhere. While people are aware that we are spending huge sums of money abroad in the conduct of the war, it is not generally realized how these expenditures are building up the gold and dollar exchange reserves of countries outside of the United States.

When we entered the war at the end of 1941, the total revealed monetary gold stocks of the rest of the world came close to $8¾ billion, of which about one-fourth was held under earmark in this country. It was estimated, probably conservatively, that some $2 billion additional gold was held in various undisclosed government and central bank accounts. Including bank deposits and short-term investments in this country of about $3.5 billion, total foreign-owned gold and dollar banking funds were probably in excess of $14 billion. Besides these funds, foreigners were estimated to hold in 1941 some $3 billion in our stocks and bonds, and some $3.5 billion in direct and other investments in this country.

As our war effort advanced, payments to foreign countries rose rapidly. Imports of strategic materials, for which we paid cash, increased tremendously, while "cash" exports (as distinguished from lend-lease shipments) fell off as we converted to war production, thus turning the "cash" balance of trade against us. The building and securing of naval and air communication lines added to the flow of dollars abroad, as did funds lent to foreign countries, particularly Latin America, with a view to increasing the output of goods for war and to replace products lost to us by the Japanese conquest of Southeastern Asia.

More recently the growth of our armed forces has been an added factor in overseas expenditures, more than offsetting a tapering off in some of the earlier types of overseas payments. With several million American soldiers abroad, the requirements for pounds sterling, Australian pounds, Chinese dollars, and Indian rupees have assumed large proportions. It was estimated some time ago that our troops in Australia were spending something like $200 million a year for goods and services, over and above reciprocal lend-lease aid received from the Commonwealth. At the height of the North African campaign, the Allied forces are estimated to have spent in excess of $400 million a year in Egypt alone. Though the expenditures of ours troops have comprised but a minor share of the Egyptian total, they have figured large in French North Africa and have furnished foreign exchange for the Caisse Centrale de la France Libre, set up in 1941 to serve the liberated French territories. The heavy expenditures of our troops in India have been an important source of dollars for the sterling area exchange pool maintained in London.

The effect of all this was to pile up dollars in the hands of foreigners, which, in the absence of available goods, have either been allowed to accumulate in the form of bank deposits in this country or have been used for purchase of gold. As indicated by the table, foreign countries in 1942 acquired in this country some $630 million of gold and banking funds, of which $140 million represented gold and the balance of $490 million an increase in bank deposits.

The next year, 1943, some $840 million of U. S. gold, plus around $1,160 million of U. S. banking funds—or roughly $2 billion—was apparently added to foreign-held resources. During the first half of 1944 alone, the total added probably exceeded $1.5 billion, or an annual rate of over $3 billion. Practically all the new gold production outside the United States is being retained abroad, an amount for the past two and a half years totaling well over $2 billion, exclusive of the Russian output not reported.

INCREASE IN GOLD AND SHORT-TERM DOLLAR RESOURCES OUTSIDE OF THE UNITED STATES SINCE 1941

(In Millions of Dollars)

	Full Year 1942	Full Year 1943	Half Year 1944
Decline in U. S. gold stocks	$10	$790	$770
Loss of U. S. newly-mined gold	130	50	20
Increase in foreign banking funds in U. S.	490	1,160	*780
†Newly-mined gold retained abroad	950	800	400
	$1,580	$2,800	$1,970

APPROXIMATE STATUS OF FOREIGN GOLD AND SHORT-TERM DOLLAR RESOURCES

	End of 1941	End of 1942	End of 1943	June 1944
Gold held outside of U. S.	$10,750	$11,840	$13,480	$14,670
‡Foreign banking funds in U. S.	3,500	3,990	5,150	*5,930
Total	$14,250	$15,830	$18,630	$20,600

*Estimated on basis of first quarter figures. †Estimated newly-produced gold outside of the United States and Russia, less adjustment for annual use of gold in arts and industries. ‡Includes short-term securities owned.

Thus, by the end of this year the total gold stocks owned outside this country may come to well over $15 billion, or around a third larger than the total world gold stocks as late as 1934, valued in old dollars. Counting in also foreign-owned banking funds in this country, the aggregate foreign-owned gold and dollar balances may reach $22 billion, with likelihood of further increase in 1945. These figures do not include foreign-owned American securities and direct investments.

In 1919, after World War I, total foreign-owned gold and short-term dollar balances amounted to only about $5 billion.

Growth of Foreign Holdings of Sterling

A second source of international purchasing power for post-war lies in the large and rapidly growing volume of sterling balances in London. The story of the rise of these balances is similar to that of the growth of foreign-owned holdings of gold and dollars. Great Britain, like the United States, has been pouring out huge sums of money overseas in prosecuting the war. At the same time her exports have been curtailed, so that the balance of payments has turned heavily against her—to the extent currently of about $2¾ billion a year, notwithstanding lend-lease aid from the United States and the contributions by Canada. While in the beginning Great Britain was enabled to meet these trade deficits by shipments of gold and repatriation of British-owned foreign securities, more recently the depletion of these resources has limited such means of payment. Funds accruing to foreign countries have been allowed to accumulate in the form of sterling balances in London.

The size of these sterling accumulations has been a matter of much speculation. Two months ago we published estimates, based on incomplete reports, that the total would reach at least $8 billion at the end of this year, and subsequently Lord Keynes has placed the probable total at $12 billion—owed largely to sterling area countries, particularly India.

Unlike gold and dollar assets—which are usable anywhere—the free convertibility of these huge sterling balances is currently limited to the pound sterling area. Their use elsewhere is subject to foreign exchange control by London. The ultimate disposition of these balances is one of the major post-war problems. Only to the extent that Great Britain is able to build up a surplus in her international accounts will she be able, in the normal course, to release these funds for use by their owners in current operations. Their repayment by Britain from the proceeds of her international transactions may be a lengthy affair, but should not be disregarded as an element in the post-war international trade situation. Undoubtedly the British will make strenuous efforts to increase their exports, and the very fact of so much money being tied up in sterling should help towards this objective by inducing purchase of British goods.

A large part of the post-war credit problem boils down to these sterling balances. Counting these along with the gold and dollars owned outside the United States, the potential purchasing power represented is truly enormous. Anything that could be done to unlock the buying power contained in these sterling funds would not only eliminate a troublesome source of international friction, but might contribute more towards world recovery than any other financial step that could be taken.

Distribution of Gold and Exchange Assets

In appraising the significance of world gold, dollar and sterling holdings, a great deal depends upon how they are distributed.

The fact is that outside the area of Continental Europe there are few countries that have not been beneficiaries from the flood of U. S. and British spending. U. S. spending has been particularly heavy in Latin America, resulting in approximately a three-fold expansion of Latin American gold and dollar resources between 1939 and the end of 1943. Revealed Latin American gold and foreign exchange, chiefly dollars, increased from about $900 million to some $3 billion over the period, and probably reached around $3.5 billion by the middle of 1944.

Reference has been made already to the heavy spending by the U. S. in North Africa, which has supplied dollars for Free French use, and to expenditures in India and Australia from which dollars have flowed into the sterling area exchange fund in London where they constitute a partial offset to the volume of sterling liabilities. In the case of India, a portion of the dollars accruing from U. S. expenditures is now being set aside in a special fund for use by that country for post-war development. U. S. money is also being spent in the Near East, though the major influx of foreign funds into that region has been in sterling. Egypt's sterling holdings are estimated at the equivalent of about $1 billion. The gold and foreign exchange reserves of Turkey and Iran have risen several fold since 1939 due to favorable trade balances, and in the case of Iran particularly, due to heavy expenditures of United Nations forces in that country.

Even on the Continent of Europe a number of countries have been able to add substantially to their monetary reserves, as shown by the table below. This is true of the gold holdings of the neutrols. Switzerland, Sweden, Portugal and Spain. Portugal in addition has accumulated a further reserve equivalent to almost $500 million, consisting of gold abroad, pound sterling and unspecified other foreign exchange. Switzerland's gold reserve approached by the end of 1943 almost $1 billion, doubtless reflecting in part inflow of refugee funds from other parts of Europe.

Disclosed Gold and Foreign Exchange Reserves of Certain Continental European Countries

(In Millions of Dollars)

	End of Year			
Gold Holdings	1939	1941	1942	1943
Switzerland	$549	$668	$824	$964
Sweden	308	223	334	384
Portugal	29	92	114	161
Spain	--	42	42	91
France	2,709	2,000	2,000	2,000
Netherlands	692	575	506	500
Belgium	609	734	735	734
Roumania	152	182	241	316
Czechoslovakia	56	61	61	61
Denmark	53	44	44	44
Hungary	24	24	24	24
Bulgaria	24	24	25	25
Total	$5,205	$4,669	$4,950	$5,304
Foreign Exchange Reservers				
Switzerland	$82	$158	$14	$19
Sweden	77	199	131	145
Portugal	31	189	368	483
Total	$190	$546	$513	$647

Nor are the occupied countries devoid of monetary resources. Some of them, including France, the Netherlands, and Belgium have been able to conserve very substantial gold holdings abroad which, together with considerable dollar balances, were impounded at the time of the invasion. Roumania, one of the few countries able to cash its reichsmarks claims for gold, more than doubled its gold reserves up to the end of 1943. Altogether the 12 Continental countries covered by the table held at the end of 1943 over $5 billion of gold alone, of which French and Swiss gold accounted for about three-fifths.

Who Needs the Money?

The net of this showing is that the "poor" countries are relatively few. Most countries have enough gold and realizable foreign exchange to take care of their immediate needs after the war, and many countries have far more than enough. What has been happening on a world-wide scale is in many ways analogous to what has been happening in this country. Just as our enormous war expenditures at home are putting money into the hands of the people which they can't spent because of lack of goods, so the tremendous outpouring of American and British money abroad at a time of goods scarcity is building up huge dollar and sterling claims against future production. With many countries the problem after the war is not going to be the supplying of more purchasing power through additional credit, but rather the supplying of goods to stem the inflationary movements already under way in those areas. It is well to recall the serious inflation that broke out immediately following World War I all over the world for similar but even less powerful causes.

In short, the answer to the question, who needs the money? comes down mainly to Great Britain, whose special problems in connection with sterling liabilities is, however, outside the province of either the International Monetary Fund or the Bank for Reconstruction as now proposed, and to the liberated territories on the Continent. As to the latter, the real "problem cases" are likely to be such countries as Italy and others in central and eastern Europe whose capacity for capital absorption and repayment of amounts borrowed is limited at the best and after the war will be intimately bound up with what happens to Germany. Russia, China, and some others, of course, will be wanting capital both for repair of war damage and for development, but spread over a period and to a certain extent available through normal channels if the prospects of repayment are promising. This prospect depends on the two-way flow of trade as well as on domestic policies.

So far as western Continental Europe is concerned, the facts as to gold holdings and foreign exchange assets cited above speak for themselves. Herbert H. Lehman, director general of UNRRA, in a recent address, recognized the significance of these assets when he listed France, Belgium, Holland and Norway as among countries having foreign exchange resources that "will levy but lightly on the international fund for goods" provided by UNRRA. Nor is this the whole story. "The United States War Department appropriation alone for 1945 sets aside over a half billion dollars to be used in bringing supplies and services to the freed people whose territories are temporarily under the military government of the United States forces," he said. "The supply arrangements of the other armies of the United Nations—those of England, of the British Dominions, of Russia—similarly provide for the relief of people of the liberated areas that are under their military government."

Capital Is Made at Home

Yet another point in the discussion of international credit, in danger of being overlooked, is that in the final analysis the stabilization of currencies and the providing of capital for reconstruction are things that have to be done, for the most part, at home. This is the main point of a timely article entitled "Capital Is Made at Home," by Dr. L. Albert Hahn, former German banker and economist, that appeared in the May 1944 issue of "Social Research," a quarterly published by the Graduate Faculty of Political and Social Science of the New School for Social Research,* in cooperation with the Institute of World Affairs.

In this artcile Dr. Hahn challenges the thesis that Europe will need large capital imports after the war, and reviews the conditions of the recovery after World War I in Germany, with which he was most familiar. Speaking of the stabilization of the reichsmark in 1923 he says:

> Nor was it through foreign foreign loans that the budget and currency were stabilized in the fall of 1923. The stabilization was achieved through the rentenmark credit granted to the Reich and to industry and agriculture in the amount of 2,070 million marks, and raised by the issuance of new mark bills. The latter were really nothing but the old mark bills. That they were covered by a mortgage on industry and agriculture was pure fiction. Nevertheless, the mere idea that they were covered was enough to reduce the velocity of the money in circulation, and therefore had the effect of an internal loan granted by the holders of the bills. Suddenly billions of marks in savings were available, and thereby billions of marks of capital. Capital had again been produced by a mere shift in consumption habits.

As to the part played in German reconstruction by the heavy inflow of foreign credits after 1924, Dr. Hahn comments as follows:

> From 1924 to 1931 foreign loans poured into Germany in the huge amounts mentioned above. But whether they actually augmented Germany's productive capacity is open to question. Her balance of payments raises some doubts. Of the net capital import of 17.3 billion marks from 1924 to 1930, only 2.4 billion was used to buy merchandise; the remainder was spent on the transfer of interest payments (2.7 billion marks), on reparations (10.1 billion) and for the import of gold and foreign currency (2.1 billion).
>
> Thus only a relatively small part of the gigantic capital influx was used for really productive purposes, and we may therefore conclude that only a small part was needed for such purposes.

In other words, according to this testimony, it was mainly by the hard work and saving of the German people themselves that Germany accomplished her recovery during the '20s.

The lesson is worth pondering now when there is so much emphasis being placed upon international credits. As Dr. Hahn pointed out, currency stabilization is very largely a matter of sound internal financial and credit policies. Likewise, the production of food for the people and rebuilding of factories and cities must, from the very nature of the case, be mainly a home job. Some imports of food, raw materials, and special equipment into the liberated areas will certainly be needed, but on the whole the burdens of reconstruction during the first critical years of peace have to be carried by the people themselves in the regions concerned. This is true for two reasons—first, because it will be good policy to do as much at home as possible to keep the industries busy and the people employed; and, second, because of the prospect that for a considerable time to come there won't be enough outside goods of the kind wanted to go around.

Apart from any question of credit, countries are going to be forced, willy-nilly, to work out a large share of their own salvation or be a long while restoring their economies and getting their people back to work.

To sum it all up, the post-war needs for funds, for relief, for reconstruction, for development, and for currency stabilization cover, it is true, a wide range geographically and in type of funds needed. We should do well, however, to recognize that a substantial part of the funds needed for this process is already in the hands of most countries in the form of gold and dollar and sterling balances and, furthermore, much of the capital needed for reconstruction and development is available inside the borders of these countries through the process of self generation. It is against these facts that various plans for additional credit instrumentalities need to be weighed.

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From Washington Ahead Of The News

(Continued from first page)

day by day events of which there were a plenty.

The utter irresponsibility of the New Dealers in the matter of European affairs, is being dramatically portrayed today in the spectacle of Sumner Welles' continued feuding with Hull. Hull finally succeeded in getting him out of the State Department several months ago after their feud had kept the department in turmoil for some ten tragic years. Welles is an old friend of Roosevelt's; their families have been life long friends; Roosevelt and Welles went to Groton together.

In the tragic years leading up to this war, Hull was trying laboriously to do something about those "day to day events." In the New Deal he was all alone. When he said anything to a European government, that government's ambassador in Washington rightfully informed his head office that the old man was not to be taken seriously, that Sumner Welles really spoke the President's policy.

And Welles' policy was that of the New Deal, widely advertised to all the world. Bluntly, it was a belief of the New Dealers that "wily" European politicians had diverted that "other great Progressive," Woodrow Wilson, from his domestic program, but these "wily" politicians would never be able to divert FD, do whatever they might in Europe. The favorite New Deal expression was that the European politicians "can stew in their own juice."

This was our foreign policy on which Hitler, coming to power coincident with Roosevelt, thrived, on which he built Germany from an utterly impoverished, harmless nation to the one that again broke loose.

Oh yes, Mr. Roosevelt became very much concerned in Europe after Munich. And it so happens that this was coincident with the complete collapse of the so-called domestic program. Twenty-five billion dollars had been spent in priming a pump that wouldn't be primed because of the accompanying agitation against business, industry and management generally. One last effort at pump priming was made in the fall of 1939 when the President sought passage of a $4 billion spend-lend bill. Congress and the people were fed up on pump priming which after seven years left 10 million persons unemployed. The request was denied.

In view of these facts it really gets our goat to hear Mr. Roosevelt speak of "ostriches," those people who were blind to what was going on while he was so farseeing. The foreign correspondents were screaming about the "day to day events" and all the while Mr. Roosevelt had a feuding State Department. He insisted upon keeping his friend Welles there.

The Europeans knew what was going on and the French and British governments knew nothing better to do than to let them go on because they were told that we are really going places at home and that they could "stew in their own juice."

If the American mothers of sons now scattered all over the globe do not know that this capriciousness has a pronounced bearing on their sons' plight they are seriously misinformed. But they are being propagandized to the effect that it is really all their fault, theirs and the Republicans, because they repudiated the other "progressive" some 20 years ago. We mustn't make that mistake again, we've got to hold onto these "world minded" fellows who know the European leaders and our own generals and admirals, and who will give us some "world machinery." We had ambassadors in all of those countries. They were appointed by FD. If they didn't constitute "world machinery" we would like to know what we paid them for. There were some cards in this "world machinery," too—adventurous Bill Bullitt and Socialite, Tony Biddle and Joe Davies.

Results Of Treasury Bill Offering

The Secretary of the Treasury announced on Aug. 8 that the tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills to be dated Aug. 10 and to mature Nov. 9, 1944, which were offered on Aug. 4, were opened at the Federal Reserve Banks on Aug. 7.

The details of this issue are as follows:

Total applied for, $2,001,061,000.

Total accepted, $1,210,910,000 (includes $60,643,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price 99.905, equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.910, equivalent rate of discount approximately 0.356% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(54% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Aug. 10 in the amount of $1,206,949,000.

Revised Report Of January Budget Estimates Issued By Budget Director At President's Order

At the direction of President Roosevelt, Budget Director Harold D. Smith issued on Aug. 2 the following statement revising last January's budget estimates in the light of developments:

REVIEW OF THE 1945 BUDGET
For the fiscal year ending June 30, 1945

The Program for the Fiscal Year 1945:

THE WAR PROGRAM

For the last four critical years and the one ahead the Congress has appropriated and authorized a defense and war program of 393 billion dollars. Of this amount, 294 billion dollars, or about three-fourths, had been translated into war contracts and other obligations and commitments by June 30, the end of the fiscal year 1944. Actual cash expenditures through June 30, 1944, amounted to 200 billion dollars for pay and subsistence of the armed forces, for building and equipping hundreds of war plants and shipyards, for acquisition of 200,000 planes, for construction of hundreds of warships and thousands of transports and other water craft, and for the manufacture of the many other weapons needed in total and global war.

For the fiscal year 1945 the Congress has made available for war obligations in general and special accounts 94.3 billion dollars. Some contract authorizations included in this amount are intended for obligation in subsequent years. The Congressional actions which determine this amount can be summarized as follows:

	Fiscal year 1945 (Billions)
Reappropriation of prior year unobligated balance	$37.5
Other unobligated balances of prior year appropriations and contract authorizations brought forward	9.0
New appropriations	54.2
New contract authorizations	10.8
Total appropriations and contract authorizations	$111.5
*Deduct: Appropriations to liquidate contract authorizations	17.2
Total authority to incur obligations in the fiscal year 1945	$94.3
Available for obligation but not planned for use in the fiscal year 1945	11.0
Estimated obligations in the fiscal year 1945	$83.3

*Contract authorizations permit the placement of orders, but require appropriations before payment can be made. To avoid double counting it is necessary to deduct appropriations to liquidate contract authorizations.

New war appropriations of 54.2 billion dollars enacted for the fiscal year 1945 by the Congress are about 2 billion dollars less than the President had recommended. Most of this difference is explained by the fact that the Congress granted a contract authorization in connection with the Navy aviation program, instead of a recommended appropriation. In some cases changes in strategic plans adopted after transmission of the Presidential recommendations permitted reductions. Whether all appropriations and authorizations made available by the Congress will be actually needed for obligation during this fiscal year depends, of course, on the development of the war.

Estimated Expenditures for the Fiscal Year 1945

During the fiscal year that ended June 30, 1944, actual cash expenditures for war, including net outlays of government corporations, were 89.7 billion dollars, or 2.5% below the 92-billion dollar estimate in the President's budget message of January, 1944. For the fiscal year 1945 cash expenditures were estimated last January at 90 billion dollars, and the total of that estimate is not changed at the present time. Adjustments within the total have been made, however, by increasing slightly the War Department figure, reducing the estimated net war outlays of government corporations and adding an estimated expenditure for the United Nations Relief and Rehabilitation Administration.

War expenditure estimates of previous years have been based on the assumption that practically all available resources were to be used for meeting war needs, giving second call to civilian requirements. This year's estimates are influenced by the hope that the liberation of Europe may be accomplished before the end of the fiscal year 1945, while the Japanese phase of the war is assumed to continue all through the fiscal year and beyond. The end of hostilities in Europe should enable us to cut back many war contracts, but cash payments will decline only with a considerable time lag. Particularly, expenditures for pay and subsistence, including mustering-out pay, will remain at a high level all through the fiscal year.

War expenditures in recent months have been running at an annual rate of about $93,000,000,000; thus a $90,000,000,000 estimate for the whole fiscal year implies a decline in war expenditures during the latter part of the fiscal year. These estimates are, of course, of a highly tentative character and depend entirely on the assumptions made with respect ot the course of the war. If victory in Europe should be delayed, the production of munitions will be stepped up to whatever may be needed. If German resistance should collapse earlier than assumed, expenditures for the current fiscal year may be somewhat below the $90,000,000,000 estimate.

Adjustments in the Program

Behind these huge budget figures is the story of a planning job of great scope. Many of the munitions used in present fighting have been produced in factories and yards constructed and equipped as long as three years ago. Essential in military planning, as in all planning, is long-run foresight and also constant adjustment to changing requirements. Both are expressed in our budgetary operations. There is a very considerable time lag between formulation of war supply programs, legislative authorization and appropriation, placement of orders with contractors, completion, delivery and shipment of munitions, and final payment in cash.

The vicissitudes of war make necessary frequent revision in each of these stages in the budgetary process. When new or improved weapons are required, or when the rate of destruction is higher than anticipated, additional appropriations may become necessary. When the rate of destruction is lower than anticipated, appropriations may remain unused and can be placed in reserve which the Congress can repeal, permit to expire at the end of the fiscal year, or make available for future obligation. In accordance with a provision in the second deficiency appropriation act of 1944, the President will transmit to the Congress a list of appropriation balances which are no longer required and can be repealed if the development of the war permits.

Adjustments often become necessary even after contracts have been placed. This leads to cancellation of contracts on the one hand; to rushing new contracts, on the other hand, as a result of experience on the battle fronts. Thus, in recent weeks we have had to resume operations in a number of war plants which had been temporarily shut down. In general we have overestimated rather than underestimated the rate of destruction in order to be on the safe side. Through continuous adjustments waste is held to the unavoidable minimum.

Cash expenditures in the form of advance payments sometimes precede completion and delivery of the goods. They lag considerably, however, behind obligations. On June 30, 1944, obligations and commitments outstanding amounted to $94,000,000,000, for which cash must be paid unless contracts are canceled or obligations reduced by renegotiation.

In calling for estimates for the fiscal year 1946, the Bureau of the Budget has requested the agencies to submit estimates of their needs under various assumptions, namely, continuation of the war on all fronts, the end of hostilities in one of the theatres of war, or the end of hostilities on all fronts during the next fiscal year. In our planning we must be prepared for war as well as for partial or total demobilization.

APPROPRIATIONS AND EXPENDITURES FOR OTHER THAN DIRECT WAR PURPOSES

Appropriations for the Fiscal Year 1945

Total 1945 appropriations for all except direct war purposes are 9,847 million dollars in general and special accounts. The largest single item in this category is 3,750 million dollars of interest on the public debt. The total includes also 589 million dollars in a permanent appropriation for statutory debt retirement.

For all other activities of the government in the general and special accounts, 5,508 million dollars have been appropriated. This is 8 million dollars below the President's recommendation. The Congress allowed 45 million dollars more than was recommended for aids to agriculture but reduced a great many other items by 53 million dollars.

Within the program of aids to agriculture, the Congress made several changes. The largest were an increase of 40 million dollars in the direct appropriation for "conservation and use of agricultural land resources," and an addition of 12 million dollars for payments to farmers harvesting certain seeds of grasses and legumes. The Congress decided to liquidate operations under the Federal crop insurance act and reduced the rural rehabilitation program of the Farm Security Administration.

The major reduction below budget recommendation was elimination of 20 million dollars for loans by the Rural Electrification Administration; instead the Congress authorized the agency to borrow 25 million dollars from the Reconstruction Finance Corporation. Appropriations for the Treasury Department were 10 million dollars below recommendations. These and other changes spread among many items, reduced the total for "civil departments and agencies" by 47 million dollars.

Estimated Expenditures for the Fiscal Year 1945

Cash expenditures for other than direct war purposes for the fiscal year 1945 are estimated at 9,504 million dollars or 250 million dollars below the original budget estimate of January, 1944. The difference is due mainly to a revision in the estimate of tax refunds. This revised estimate of expenditures is 2,799 million dollars above the actual expenditures for the fiscal year 1944. The explanation is found wholly in items which the President has called the "aftermath-of-war" expenditures, namely, interest on the public debt, veterans' pensions and benefits, and refunds of war taxes. A separate table shows the substantial increase in each of these items in this fiscal year.

In contrast, all other expenditures show a net decline of 3.5%. This decline is small compared with the decline in previous years because of the heavy cuts which have already been made in this category over the last six years by the Congress and the executive branch. The cumulative results of these efforts are indicated by the last column of the following table:

EXPENDITURES FOR OTHER THAN DIRECT WAR PURPOSES
General and Special Accounts Exclusive of Statutory Debt Retirement
(Millions)

Year	Total	Interest, Veterans, & Tax Refunds	All Other
1939	$7,456	$1,559	$5,897
1940	7,288	1,683	5,605
1941	6,410	1,760	4,650
1942	6,385	1,906	4,479
1943	6,070	2,487	3,583
1944	6,705	3,600	3,105
*1945	9,504	6,509	2,995

*Revised estimates.

It should not be forgotten that even expenditures which are classified neither as "war" expenditures nor as "aftermath-of-war" expenditures include a great number of activities related to the war. Examples are the cost for collecting increased war revenues, for administration and management of the increasing debt, and for the greatly expanded auditing and accounting function. The National Advisory Committee for Aeronautics, the Federal Bureau of Investigation, the State Department, the Weather Bureau, the Treasury Department, the General Accounting Office, the Civil Service Commission, and many other so-called "non-war" agencies carry increased work loads of clearly war-related activities. The figures show the over-all reduction in these "other" expenditures; they do not show, however, the thorough reorientation of practically all government operations to conditions of total war.

RECEIPTS, BORROWING, AND THE PUBLIC DEBT

Estimated Receipts for the Year 1945

Net receipts in the fiscal year 1944 amounted to 44.1 billion dollars in general and special accounts, almost double the receipts of the previous fiscal year. They are expected to rise still higher, to 45.7 billion dollars in the fiscal year 1945. The increased yield reflects higher war-time tax rates and an increase and broadening of the tax base by revenue legislation of recent years, as well as the unprecedented levels of national production and income.

The great productivity of the revenue system has increased the portion of expenditures covered by current receipts since the fiscal year 1943. The following tabulation shows this development:

NET RECEIPTS
(Billions)

Year		Percent of Expenditures*
1941	$ 7.6	55
1942	12.8	37
1943	22.3	28
1944	44.1	46
1945 Est.	45.7	46

*Excluding debt retirement but including net outlays of government corporations (excluding redemption of market obligations.)

Nearly all types of receipts are expected to be somewhat higher in the fiscal year 1945 than in the preceding year. Direct taxes on individuals are estimated below the fiscal year 1944 receipts because of unusual collections in the last fiscal year associated with adoption of the pay-as-you-go plan.

Last January net receipts for the fiscal year 1945 were estimated at 40.8 billion dollars, 4.9 billion dollars below the present estimate. The revised figure is the result mainly of additional revenue legislation enacted this year, an expected increase in disposal of surplus property, more experience with contract renegotiation, and the fact that individual and corporate incomes are running at rates somewhat above those previously estimated.

Since the budget was issued last January the Revenue Act of 1943 and the individual income tax act of 1944 have become law. The first of these two acts increases the yield of direct taxes on individuals and direct taxes on corporations, as well as excise taxes, but postpones the effective date of the previously scheduled increase in the contribution rates under the Federal Old-Age and Survivors Insurance System. The individual income tax act of 1944, the simplification measure, affects revenues only to a minor extent.

The increase in the present estimate above the January budget estimate is divided among all the major categories of receipts except customs and employment taxes. The figure for customs is moderately lower. Employment taxes are now expected to be more than a billion dollars less than was anticipated before the rate freeze. This reduction does not affect net receipts, because the additional contributions would have been appropriated to the Federal Old-Age and Survivors Insurance trust fund.

Current receipts from corporate taxes are subject to certain claims for refunds. In the present budget estimates some expected refunds appear as expenditures; others are offset against revenues. Ten per cent of the excess profits tax liabilities are post-war credits and to the extent not used currently by the taxpayer will be treated as expenditures when refund bonds are issued to the corporation. If profits decline substantially in future years, additional refunds will be required on the basis of existing tax law.

Some part of the expected increase in excise tax collections is from goods and services purchased by the Federal Government which under the revenue act of 1943 are no longer tax-exempt. This change simplifies administrative procedures but does not directly improve the budgetary position of the government because it brings about an equivalent increase in expenditures.

The largest part of the substantial increase in the estimate of miscellaneous receipts is attributable to a revised estimate of excessive profits recaptured by renegotiation of war contracts. Also, an upward revision of the estimate of proceeds from the disposal of government surplus property is included in miscellaneous receipts.

Borrowing and the Public Debt

As a result of the sharp rise in revenues, the excess of expenditures (including government corporations) declined from 57.4 billion dollars in the fiscal year 1943 to 51.1 billion dollars in 1944. The net increase in the gross public debt is larger than this amount primarily because the fifth war loan drive resulted in a substantial increase in the cash balance at the end of the fiscal year 1944.

On the basis of the revised revenue and expenditure estimates for the fiscal year 1945, the excess of expenditures will be 53 billion dollars, substantially below the January estimate. The revised estimates of the excess of expenditures in the fiscal year 1945 are about 2 billion dollars higher than in the fiscal year 1944, as shown in the following table:

EXPENDITURES, RECEIPTS, AND INCREASE IN PUBLIC DEBT
(Millions)

Expenditures:	Revised Fiscal 1945 Estimates	January Fiscal 1945 Estimates	Fiscal 1944 Actual
General and special accounts	$98,404	$97,954	$93,743
*Corporations	625	1,815	1,530
Total expenditures	99,029	99,769	95,273
Net receipts, gen'l. & special accounts	45,663	40,769	44,149
Excess of expenditures	53,366	59,000	51,124
Other borrowing requirements	1,417	1,299	2,521
Change in cash balance (dec.)	4,500	101	10,662
Increase in public debt	50,283	60,400	64,307

*Expenditures less receipts, excluding redemption of market obligations.

The direct public debt, excluding 1.6 billion dollars of guaranteed obligations of government corporations, amounted to 210 billion dollars on June 30, 1944. The general fund balance on the same date stood at the record level of

20.2 billion dollars. Assuming a reduction of 4.5 billion dollars in this balance, as of next June 30, the net increase in the public debt in the fiscal year 1945 will be 50.3 billion dollars, and the outstanding debt will be 251.3 billion dollars on June 30, 1945, considerably below the January estimate. Any further decline in either the general fund balance or expenditures will produce a corresponding reduction in new borrowing.

The total new borrowing requirements of sixty-four billion dollars in the fiscal year 1944 included net redemption of nearly three billion dollars in obligations of government corporations. More than four billion dollars were borrowed from trust funds and government agencies. The remaining 57 billion dollars represents the net volume of borrowing by the Treasury and government corporations from institutions and individuals.

Of this increase in public holdings during the fiscal year 1944, net sales of war savings bonds, largely to individuals, partnerships and personal trust accounts, amounted to more than 13 billion dollars, or 23%. Sales of marketable issues and savings notes, chiefly to corporations, insurance companies and other institutions accounted for about half of the remainder. Commercial banks and Federal Reserve Banks directly and indirectly absorbed the other half.

THE ECONOMIC IMPACT OF THE WAR EFFORT

In recent months total Federal expenditure (including net outlays of government corporations) has been running at an annual rate above $100,000,000,000. Included in this amount are certain items which do not represent payments for goods produced or services rendered. Nevertheless, the total of goods produced and services rendered for the Federal government is not far short of the rate of total production of the American economy for all purposes in the pre-war period.

Of our labor force of 63,000,000, about 28,000,000 are now either in the armed forces, producing munitions, food and clothing for war purposes, or engaged in transportation directly connected with the war.

About three-fifths of our industrial plant is now being used for war work. This includes the new munitions factories constructed and equipped at a cost of $20,000,000,000 largely borne by the Federal government. In addition to the war-built plants, roughly one-half of the pre-war manufacturing capacity has been converted or diverted to war production.

Two facts illustrate in a nutshell the economic impact of our war effort: First, the total of goods produced and services rendered by the American economy for both military and civilian purposes is almost double the total produced in 1939; second, nearly one-half of this total production is devoted to the war effort. These facts are basic to the present problems of the war economy as well as the future problems of the transformation of the war economy into full employment peace economy.

Inflationary Pressure and the Economic Stabilization Program

With minor exceptions, all of the 100 billion dollars of Federal expenditures becomes income of individuals or business — of war contractors, war workers, farmers, soldiers and their dependents, government security holders and government employees. The income derived from activities — mostly war activities—of the Federal government is about equal to the income derived from services and production for civilian use.

The sum total of all income available to individuals and business for the purchase of consumers' or producers' goods and services, for the payment of taxes, or for savings and the accumulation of business reserves, the so-called gross national income, is running at an annual rate of above $200,000,000,000. Of this truly gigantic sum the Federal government is recovering tax receipts at an annual rate of about $45,000,000,000, State and local governments at an annual rate of $9,000,000,000, leaving more than $145,000,000,000 in the hands of individuals or business for their use. While a small portion of this amount is spent abroad, chiefly by soldiers out of their pay, the bulk of this income is available for purchase of goods and services in this country. Goods and services for use of civilian consumers and for business equipment are, however, being supplied only at a rate of less than $100,000,000,000 a year. There is thus a difference of $45,000,000,000 or $50,000,000,000 between current receipts available for spending and the value of goods and services in the market. If individuals and business decided to spend a higher proportion of their income, they would force prices up.

Nevertheless, prices have been held relatively stable because individuals and business have been willing to save the difference between the amount of income at their disposal and the value of the goods available. The experience of the last few months indicates that the American economy has reached a state of balance. This balance, however, is of a very delicate nature and might still be destroyed; it would be destroyed if we should relax war-time controls too early.

The success of the stabilization program to date is due first of all to the fact that the American people have retained their confidence that a dollar saved today will still buy a dollar's worth after the war. They have, therefore, been prepared to save extraordinarily large sums while goods are scarce, in the expectation of getting full value for their savings when goods are again plentiful. This confidence on the part of the American public must be attributed largely to the government's stabilization policy. This policy has consisted of, first, increase of war-time taxes which have limited the increase in disposable income of individuals and business; second, the war bond program which has increased incentives to saving; third, price ceilings, which have prevented consumers from dissipating their incomes by paying higher prices, and fourth, wage stabilization, which has limited increases in cost of production and thereby checked the increase in purchasing power.

The Congress has recognized the need to continue price and wage controls as long as there are still scarcities of goods and labor. The Government is determined to hold the line until war production is converted into full peacetime production. This requires, however, that the people continue to save as much as possible, particularly to buy and to hold war bonds until goods for civilian use are plentiful again.

An effective economic and fiscal policy during the war and the demobilization period will be an important prerequisite for success in the next great task of our national policy—the transformation of an all-out war economy into a full-employment peace economy.

FINANCIAL OPERATIONS OF THE GOVERNMENT SUMMARIZED

Following are summarizations by the Budget Director of the financial operations of the Government for three fiscal years, as reported from Washington Aug. 2 by the New York "Times":

APPROPRIATIONS, REAPPROPRIATIONS AND CONTRACT AUTHORIZATIONS
For the Fiscal Years 1945, 1944 and 1943
(In millions)

Clasification Geenral and Special Accounts	1945 Enacted	1945 *Recom-mended	1944 Enacted	1943 Enacted
†APPROPRIATIONS:				
War activities:				
War Department	$15,436	$15,680	$59,038	$42,879
Navy Department	26,489	28,070	28,527	23,809
U. S. Maritime Commission	6,766	6,776	1,290	4,985
War Shipping Administration	530	550	2,272	1,148
Lend-Lease	3,458	3,458	226	6,287
Other	1,536	1,657	1,628	2,191
Total war activities	$54,215	$56,191	$92,981	$81,299
Interest on the public debt	$3,750	$3,750	$2,609	$1,813
Other activities:				
Legislative establishment	$47	$47	$48	$32
The Judiciary	13	15	14	13
Executive Office of the President	3	3	3	3
‡Civil departments and agencies	1,198	1,245	1,277	1,493
Postoffice Dept. (General Fund)	------	------	------	27
Dist. of Columbia (Federal contrib'n)	6	6	6	6
Veterans' pensions and benefits	1,252	1,252	900	604
Aids to agriculture	505	460	819	716
Aids to youth	------	------	------	------
Social security program	480	484	494	545
Work relief	------	------	7	285
Refunds	§1,498	§1,498	§270	78
Retirement funds	506	506	440	322
Total other activities	$5,508	$5,516	$4,278	$4,124
Total general and special accounts, excluding statutory public debt, retirement	$63,473	$65,457	$99,868	$87,236
Statutory public debt retirement	589	589	592	619
†Total appropriations	$64,062	$66,046	$100,460	$87,855
REAPPROPRIATIONS:				
War activities:				
War Department	$33,673	$33,673	$15,177	$33,730
Navy Department	5	13	471	2,254
Lend-Lease	3,650	3,650	3,664	------
Other	165	155	317	348
Total war activities	$37,493	$37,491	$19,629	$36,332
Other activities	50	49	146	182
Total reappropriations	$37,543	$37,540	$19,775	$36,514
NEW CONTRACT AUTHORIZATIONS:				
War activities:				
Navy Department	$5,075	$4,300	$13,673	$10,940
U. S. Maritime Commission	5,700	5,700	------	5,340
Other	2	2	48	110
Total war activities	$10,777	$10,002	$13,721	$16,390
Other activities	6	6	------	170
Total new contract authorizations	$10,783	$10,008	$13,721	$16,560
APPROPRIATIONS TO LIQUIDATE CONTRACT AUTHORIZATIONS:				
War activities:				
War Department	------	------	------	$730
Navy Department	$10,446	$10,501	$10,234	8,424
U. S. Maritime Commission	6,738	6,746	1,260	5,234
Other	58	79	88	68
Total war activities	$17,242	$17,326	$11,582	$14,456
Other activities	43	43	206	99
Total appropriations to liquidate contract authorizations	$17,285	$17,369	$11,788	$14,555
Accounts of Government Corporations and Credit Agencies—Limitations on Certain Loans and Expenses				
Executive Office of the President	$10	$11	$12	$8
Independent establishments	4	4	4	4
National Housing Agency	29	30	31	40
Department of Agriculture	123	126	111	153
Department of Commerce	12	12	11	11
Total accounts of Government corporations and credit agencies	$178	$183	$169	$216
Postal Accounts				
Postoffice Department, Washington	$6	$6	$6	$5
Postal Service, field operations	1,105	1,113	1,083	988
Total postal accounts	$1,111	$1,119	$1,089	$993
Trust Accounts				
Unemployment trust fund	$1,528	$1,528	$1,567	$1,399
Federal old-age and survivors insur. fund	1,711	1,711	1,362	1,190
Federal employes' retirement funds	570	570	501	220
Railroad retirement fund	324	324	273	374
Commodity stamp trust fund	------	------	------	133
Other trust accounts	1,490	1,490	1,350	581
Total trust accounts	$5,623	$5,623	$5,053	$3,897

*Includes recommendations in the January budget and subsequent recommendations.
†Includes appropriations to liquidate contract authorizations as shown below.
‡Includes general public works program.
§Includes transfer to public debt accounts for excess-profits tax refund bonds issued.

RECEIPTS AND EXPENDITURES
For the Fiscal Years 1945, 1944 and 1943
(In millions)

Classification General and Special Accounts	1945 Revised Estimates July, 1944	1945 Budget Estimates Jan., 1944	1944 Actual	1943 Actual
RECEIPTS:				
Direct taxes on individuals	$18,935	$18,113	$20,290	$6,952
*Direct taxes on corporations	16,588	15,404	15,194	9,916
Excise taxes	5,637	4,251	4,462	3,777
Employment taxes	2,081	3,182	1,751	1,508
Customs	362	438	431	324
Miscellaneous receipts	3,643	2,037	3,280	907
*Total receipts	$47,246	$43,425	$45,408	$23,384
Deduct:				
Net appropriations for Federal old-age and survivors insurance trust fund	1,583	2,656	1,259	1,103
*Net receipts	$45,663	$40,769	$44,149	$22,281
EXPENDITURES:				
†War activities:				
War Department	$47,900	$47,600	$49,249	$42,294
Navy Department	28,500	28,500	26,537	20,888
U. S. Maritime Commission	4,700	4,700	3,812	2,777
War Shipping Administration	1,900	1,893	1,922	1,117
Other	5,900	5,507	5,518	5,033
Total war activities	$86,900	$88,200	$87,038	$72,109
Interest on the public debt	$3,750	$3,750	$2,609	$1,808
Other activities:				
Legislative establishment	29	30	29	27
The Judiciary	13	14	13	12
Executive Office of the President	3	3	2	2
‡Civil departments and agencies	1,441	1,473	1,338	1,335
Postoffice Dept. (General Fund)	------	------	§—22	9
District of Columbia (Federal contrib.)	6	6	6	6
Veterans' pensions and benefits	1,252	1,252	724	600
Aids to agriculture	499	468	765	1,037
Aids to youth	------	------	------	18
Social-security program	481	485	511	498
Work relief	17	2	23	317
Refunds	¶1,507	¶1,799	¶267	79
Retirement funds	506	472	440	322
Total other activities	$5,754	$6,004	$4,096	$4,262
Total expenditures, general and special accounts, excluding statutory public debt retirement	$98,404	$97,954	$93,743	$78,179
Statutory public debt retirement	------	------	------	3
Total expenditures	$98,404	$97,954	$93,743	$78,182
Excess of expenditures, general and special accounts	$52,741	$57,185	$49,594	$55,901
Government Corporations and Credit Agencies				
NET EXPENDITURES (from checking accounts):				
War activities	$1,100	$1,800	$2,682	$2,976
Redemption of obligations in the market	1,450	1,346	2,873	694
Other activities	a475	15	a1,152	a1,476
Net expenditures	$2,075	$3,161	$4,403	$2,194
Trust Accounts				
RECEIPTS:				
Transfers from general & special accounts	$1,021	$987	$556	$435
Net appropriation from general account receipts	1,583	2,656	1,260	1,103
Other receipts	3,012	3,104	3,237	2,388
Total receipts	$5,616	$6,747	$5,053	$3,926
EXPENDITURES:				
Investments in U. S. obligations	$4,634	$5,778	$4,129	$3,016
Other expenditures	949	922	572	577
Total expenditures	$5,583	$6,700	$4,701	$3,593
Excess of receipts over expenditures	$33	$47	$352	$333
The Public Debt				
Public debt at beginning of year	$201,003	$197,600	$136,696	$72,422
Net increase in public debt during year:				
General and special accounts, excess of expenditures over receipts	$52,741	$57,185	$49,594	$55,901
Government corporations and agencies, net expenditures	2,075	3,161	4,403	2,194
Trust accounts, excess of receipts over expenditures	—33	—47	—352	—333
Statutory public debt retirement	------	------	------	—3
Change in Treasury balance	—4,500	101	10,662	6,515
Net increase in public debt	$50,283	$60,400	$64,307	$64,274
Public debt at end of year	$251,286	$258,000	$201,003	$136,696

a Excess of receipts over expenditures.
*Includes the following estimated amounts for excess-profits taxes refundable in the post-war period: 1945 revised estimates, $810 million; 1945 budget estimates, $624 million; 1944, $682 million; 1943, $220 million.
†Expenditures from Lend-Lease (Defense Aid) appropriations are included under the various agencies.
‡Includes general public works program.
§A minus item due to return $29 million of excess advances in prior years to meet anticipated deficiencies.
¶Includes transfers to public debt accounts for excess-profits tax refund bonds issued.

Republican Governors' Conference Under Dewey Enunciates 14 Post-War Policies

(Continued from first page)

improvement of the standards of living for all.

To this end it is all important, not only to the people at home but to the millions of men and women in the service of our country, that a proper and friendly relationship be created between Government, labor and industry.

Industry must be enabled to convert to peace-time production immediately when war needs permit. Employers must be enabled promptly to know the policies of the Federal Government so they may prepare now for reconversion.

To allow continuance of the present listlessness, negligence and lack of leadership in Washington is to invite national disaster at the conclusion of either of our two major conflicts. The national Administration is now standing squarely in the path of the future employment of our returning veterans and millions of displaced war workers.

Comprehensive and immediate action by the national Government is imperative to provide for prompt contract termination and plant clearance. Facilities for the resumption of peace-time production must be released and the way cleared instantly as war demands come to an end.

Every care must be used to avoid discrimination between different sections of the country and between similar industries in the several States and to encourage the continuation in private hands of newly developed plants. In this evolution from war to peace-time production small business must be fully and adequately encouraged and protected.

In all this the States must share leadership to encourage commerce, industry and agriculture in order to stimulate full employment at good wages and the profitable use of all our production facilities.

Our tremendous surplus war materials should be so distributed through normal, established channels of trade as to prevent profiteering, monopoly or serious injury to the resumption of peace-time production and distribution. All distribution of such materials to State and local Governments should be through State agencies and under priority for all materials which can properly be utilized by them.

Veterans

We commend the veterans and their organizations for initiating and the Congress for enacting the "G. I. Bill of Rights." This is sound legislation.

The benefits and services thus made available to the veterans are a national responsibility and should be recognized as a part of the cost of the war.

It is the duty of everyone to make this a program of action and not one solely on paper. Each State and local community has its particular responsibility to the veterans which must be met. Complete cooperation is required of all national, State and local units of Government and the fullest use of facilities best suited to the veterans' needs.

Every veteran who wishes should be able to sit down and talk over his plans with some one "at home" who can tell him where to find all the benefits and services available to him and to which he is entitled from Federal, State and local Governments or through private endeavors. These matters can be handled more efficiently by the States and local communities which have a more intimate understanding of the veteran's personal needs.

Highways

Federal aid in building and maintaining highways, as carried out under Republican Administrations and since continued, is a sound and comparatively harmonious program.

In principle, taxes collected by the Federal Government from gasoline and from motor vehicles should be wholly devoted to highway purposes and distributed equitably among the States.

Actual construction by the State Governments has demonstrated how eminently successful such cooperative enterprises can be when State responsibility is recognized by the Federal Government and accepted by the States. This practice should be continued.

Public Works

Immediate planning of public works is a necessary part of the Administration of the Federal, State and local Governments. Such planning serves two purposes:

1. To build needed public works when the materials and manpower are available.

2. To be ready to build desirable public works to assist during possible periods of unemployment.

It should be clearly recognized that the building of public works does not fill the place of permanent jobs but is only a material aid to the over-all employment program in which labor, industry, agriculture and Government cooperate.

When, and if, in case of national necessity, there are public works which may properly be the province of both Federal and State or local governments, then grants in aid should be made by the Federal Government to States or, through them, to their local governments, without conditions which invade the authority of the State or local government.

The huge cost of the war and the waste of the New Deal have created an enormous national debt. State governments have generally been able to conserve resources during this war period. The States should recognize their responsibilities and use their reserves before asking Federal aid on State public works.

Public Lands

Federal acquisition of public and private lands has been increasing at an alarming rate, particularly in the western part of the United States. From 50% to 80% of the area of some of our Western States is now in Federal ownership.

These lands include forests, parks, grazing, reserves, camps and mineral lands. Under the present expanding program many political subdivisions of local government are being completely destroyed. Federal-State cooperation is fundamental under our system of Government; but cooperation does not, and must not, mean absorption of local government.

If, under the guise of conservation as advocated by the exponents of bureaucracy and Federal control, this acquisition and encroachment program continues, we shall soon find ownership of our lands lodged in the Federal Government sufficient to threaten seriously the very existence of many of our States and the loss of local self-government to millions of free American citizens.

The Republican national platform points the way toward a solution of this critical problem and its translation into action is imperative.

National Guard and Organized Reserves

The union of the several States in support of the Federal Government has been strengthened by our historic system of raising and maintaining military forces. In the post-war period we shall need substantial armed forces, including the National Guard and organized reserves, together with the Reserve Officers Training Corps, to afford an adequate national defense at all times.

The New Deal is now seeking to undermine and abandon our traditional State National Guard system. Such action would ignore past experience; it would amass under centralized Federal control our entire military force in peace-time; it would deprive the various States of the military forces essential to the safety of their people.

In the future military establishment of the nation, the National Guard should retain its essential place, both as a State force and as a reserve component of the Army of the United States as part of our first line of defense. It should participate in such training system as may be adopted, and be organized and equipped as are Federal forces, all in accordance with the provisions of the National Defense Act of 1920, as amended.

Agriculture

Agriculture is a basic part of our national economy. Its prosperity is essential to national prosperity. Our program and objectives for agriculture are stated in the national platform.

Because of the universal extent, the basic necessity, the hazards and the nature of agriculture, there is a Federal responsibility to assure its economic stability and equality with labor and business.

Federal responsibility should be directed to such economic stability through disposition of surpluses, assurance of fair market prices, research and broad general services to agriculture as a whole.

Agriculture must be free of the unreliable controls and restrictions and the impractical and whimsical restraints that now hamper production and create confusion.

Necessary administration of agricultural programs must be placed in the hands of experienced and practical people and agencies in the States and localities where the particular problems involved are understood, and administered under a theory of aid to a self-supporting agriculture rather than under a theory of regimentation and destructive control.

Abundant production, necessary to national prosperity, can only be attained under a free agriculture.

Unemployment Compensation Insurance and Employment Service

We believe that the present State systems for administration of unemployment compensation insurance must be retained, improved and extended. These systems are now an integral part of our economic and industrial life and have served a highly important social purpose.

In this highly personalized branch of activity, governmental responsibility for policy and the performance of the administrative duties should be kept close to the people. The States have made consistent progress and improvement in their laws and there is no demonstrated need for Federal usurpation of the system. It would be inadvisable for the Federal Government to replace the present State-by-State systems with national administration of benefits.

The imminence of reconversion to peace-time industry and the hardships attendant upon it clearly indicate that changes are desirable at this time in the Federal Social Security Act to insure protection for more people.

The public employment service which the States made available to the Federal Government for the purpose of mobilizing labor, has been used by the present Administration to extend its political control over labor. These facilities should be returned to the States as soon as is consistent with the best interests of those seeking employment at the conclusion of the war effort. Operation of our public employment offices by the States will prevent the regimentation of labor, which is now a major objective of the New Deal.

The States have accumulated more than five billion dollars in unemployment reserves and are looking to these funds to protect their citizens against temporary unemployment in the transition from war to peace. To discharge this responsibility successfully the employment service should be thoroughly integrated with the unemployment insurance system as administered by the States.

Insurance

People buy life insurance to protect their families; they buy fire insurance to protect their homes and businesses. The purchase of all forms of insurance is motivated by thrift and a sense of personal responsibility and security. The several States have long recognized these considerations and over a period of 75 years have developed an extxensive and efficient system of regulation. This system is flexible and it is designed to meet the varying needs of individual States.

Preservation of the financial integrity of the companies and the policy holders' money has been the cornerstone of this regulatory structure. This system provides, wherever it has been found necessary, controlled competition so that rate cutting and other unfair, highly competitive practices are not tolerated and therefore cannot weaken the financial soundness of the companies or impair their service to the policyholders.

The progressive development of this system should be continued. There should be preserved, in the States where it belongs, the exclusive power to regulate and control the insurance business. Whenever necessary, State and Federal legislation appropriate to accomplish these results should be universally supported by all who believe in the protection of the families, homes and businesses of our people.

Labor

The healthy functioning of our nation requires a body of laws protecting the rights of labor, of collective bargaining and insuring fair standards of employment, the facilitation of cooperation between management and labor, and providing for conciliation and mediation of industrial disputes. It requires a competent and equitable administration of such laws.

The broad base of our progressive labor laws was begun and carried far by our States. Guarantees to labor are recognized as nationwide in importance and distinctly in the national interest. America does not turn backward but will go forward to improve and strengthen these Federal and State programs.

In many phases of labor regulation both Federal and State action is appropriate. The extension of Federal labor legislation, however, must not be carried to a point where it would displace State labor regulations and result in a shift of responsibility for the administration of the larger body of labor laws from the State capitols to Washington where it will be far from the people.

With regard to wages, hours, and child labor, the establishment by the Federal authority within its powers of certain broad or minimum standards is proper and desirable. It promotes fair competition among employers and among employees in the national market. The States should provide regulations which go beyond such Federal minimum standards, and are more elaborate and detailed in character to reflect local conditions and needs.

Public Expenditures

The administration by the New Deal of existing labor statutes has been inefficient and arbitrary and has tended to promote, rather than allay industrial strife. An immediate drastic change in the spirit and methods of administration of these laws is required. It is the duty of both the national and State Governments to create clear-cut labor and industrial policies—administered with equal justice to all.

There are many functions Government must perform and services it must render. One of the great problems always facing taxpayers and public officials is to keep the cost of these functions and services from becoming excessive. Economy in Government means the wise and efficient expenditure of public funds collected from all the people as taxes. It does not mean the indiscriminate slashing and cutting of governmental budgets.

All experience has shown that the closer the Government is kept to the people, the more economically and efficiently it is operated.

Federal, State and local executives must be constantly on the alert to see that public funds are not wasted and that the number of public employees is no larger than is absolutely necessary. At the present time there is great duplication of effort on the part of Federal and State Governments. This must be ended. Today there are too many cases where several Federal employees do work that one could do better. This likewise must be ended. The taxpayers' interest must be considered and protected. The cost of Government must be made to fit the American pocketbook.

State-Federal Tax Coordination

The vast requirements of total war justify Federal use of all available fields of taxation. Reconversion and employment will require immediate reconstruction of the entire tax structure and should be accompanied by that prompt revision of State-Federal tax relations which is so urgently needed.

Proper coordination of State-Federal taxation requires elimination of much double taxation and relief from the intolerable burden on our people of making innumerable reports. The fiscal independence of both national and local Government makes necessary an increasing degree of segregation of revenue sources.

Federal collection and State sharing of taxes generally would destroy the financial independence of States and local communities.

There should be set up a permanent organizatioin of responsible representatives of the executive and legislative branches of the national Government and the States, which will work on the problem of tax coordination until a proper solution is found.

Energetic and prompt action by the appropriate legislative bodies should be demanded to enact that solution into the law. There have been too many studies with too little action on this most fundamental and vital problem confronting both our Federal and State governments. Taxes must be simplified and reduced after the war is won.

Social Welfare, Education and Public Health

The administration of public welfare belongs primarily to the States and the localities because welfare problems are so intimately a problem of the community. Financial responsibility, on the other hand, may need to be spread more widely because welfare burdens often are unduly severe where a State or locality has unusual burdens or is itself in financial difficulty.

The period of post-war demobilization will mean that many families and individuals who have moved to industrial areas to aid the war effort by their labors will find themselves stranded in communities which are hard pressed by the termination of war indus-

try, or will be returning home or seeking employment in other areas. There will obviously be problems of social and economic adjustment for many of there persons. This is an interstate problem created by the war effort—the solution of which calls for Federal leadership and help.

In thinking of the mutual welfare responsibilities of Federal and State governments, we need to bear in mind the increasing significance of the social insurances. Unemployment compensation will in the days ahead provide assistance during limited periods of unemployment. Increasingly over the years, especially if its coverage is extended as it should be, old age and survivors' insurance will gradually assume a greater burden of the care for the aged, widows with dependent children and the disabled.

Reorganization of the Federal administration of welfare services looking toward consolidation of agencies and simplification of procedure is called for to avoid the present warfare among Federal agencies and the resulting chaos in administration throughout the country.

Our efforts in the States to develop coordinated social services to our people are frequently thwarted by the competitive demands of Federal bureaus operating grant-in-aid programs in these related fields. The will to serve the needs of people rather than the perpetuation of a bureau must permeate national participation in the public social services. Not only should the Federal welfare bureaus be brought together, but in addition their administration should be tied in closely with related programs in the fields of public health, education and vocational rehabilitation.

A republic more than any other form of government depends upon trained and intelligent citizens. The founders of our republic knew that the basic safeguard of our liberties and constitutional Government is the universal education of our people. The opportunity for an education is, therefore, the birthright of every American, irrespective of race, economic status or place of residence.

An education that will guarantee every child a decent start in life and that will prepare him for the unprecedented responsibilities that will follow this war, is the joint obligation of the local community, the State and the nation. In the fulfillment of this obligation the control and administration of our free public schools should remain with the States and local communities.

Great efforts have been made by our local communities, the States and the Federal Government to protect and improve the public health. The recent medical examination by our draft boards and military authorities of men and women applying for admission to the military and auxiliary forces or subject to the draft, however, have revealed deficiencies in the health of our nation. In the face of these findings, as soon as the war is over, measures should be taken for a more effective improvement of the people's health.

In achieving these objectives the following principles should be observed:

1. The States and the local communities should improve their existing hospitalization, clinical treatment, visiting nursing and other public health programs, as far as their resources permit.

2. There should be no political control of the profession of medicine.

3. The existing scattered Federal agencies concerned with various aspects of the public health, should be more closely integrated.

Water Resources

A policy of cooperation, coordination, and understanding among the various Federal agencies and the States in connection with the development of our water resources should be established. Such development should recognize and fully protect the rights and interest of the people of the several States in the use and control of water for present and future irrigation, waterways, power, flood control and other beneficial uses.

Conclusion

The great objectives we have here sought for America cannot be accomplished, either by a constant grasping for power on the part of the Federal Government, or through a stubborn resistance by the States to the participation of the Federal Government in a developing and increasingly complicated society. They can be reached only through cooperation based upon a complete and sympathetic understanding between the two and a determination to make our system work in the spirit as well as the letter of the Constitution. This can best be accomplished when all parts of the country are represented in the councils of the Federal Government, and when by personal contact, the President of the United States and the Governors of the States achieve that unity of national purpose which transcends partisanship and strives unselfishly for the solution of their common problems. It is to further such an understanding that this Conference has been held.

For the past ten years entire regions of our country have been without representation in the cabinet or administrative agencies of the Federal Government. During that period, the Governors of the States have never once been invited to exchange views with the President of the United States. Both of these conditions have produced costly misunderstandings and can and must be remedied.

We have here achieved unity of thought between the Republican Governors and the next Republican Administration on matters which will deeply affect the future safety of our country and the well-being of our people. It is in this spirit that we are facing the future, confident that translation of the principles we have stated is essential to the liberty and happiness of the American people.

Advances Of Ill.-Wis. Bldg. And Loan Ass'ns

The first $10,000,000 loan month in its history was reported July 28 by the Federal Home Loan Bank of Chicago in making its summary of June activities to the Federal Home Loan Bank Administration at Washington. A. R. Gardner, President of the Bank, which serves the savings, building and loan associations in Illinois and Wisconsin, said that last month new advances soared to $10,247,895. This was more than a full year's lending volume in either 1935, 1938 or 1939, he indicated, and surpassed by 8.2% the next highest month on record, January, 1944. June is seasonally one of the large months for local thrift and home financing institutions to turn to their regional reserve system for additional funds, Mr. Gardner pointed out, but loan volume was three times greater in June of this year than twelve months ago. The previous June high was in 1941, when it was about half as great as in the month just past.

It is noted, however, that there has been a 12% decrease in the number of local institutions using the bank's facilities at the mid-year period as compared with 1843. Mr. Gardner said that the Chicago bank has 454 member associations in as many communities in Illinois and Wisconsin, and that 134 of them are now using its loan facilities. Loans outstanding as of June 30 were $19,214,130.

The State Of Trade

(Continued from page 603)

"by a heavy volume of steel business which has been increasing in the past few weeks. Practically no steel producer this week was able to show a decline in total backlogs."

Steel order cancellations, the magazine says, have reached an extremely low point and those which have appeared recently have been more than offset by new orders. Shell steel production and the placement of orders for this type of steel continued to enjoy the center of attention in the industry the past week. So engrossed is the industry in this type of output that production programs involving rails and structural steels have already been pushed back on order books so as to expedite shell steel work which is taking vast quantities of semi-finished material.

The magazine states, that "as far as steel deliveries are concerned certain types of plates are not obtainable until February, 1945, while others may be had in December."

The picture for alloy steel, states "Iron Age," "is apparently staging a temporary comeback in view of the tank program as well as replacement parts needed for guns, landing craft and other war materials." Tinplate demand, the magazine reports, was stronger the past week than ever. Bookings run well through to the end of the year and reports disclose that deliveries to the West have been held up by a temporary scarcity of railroad cars.

Electric Production — The Edison Electric Institute reports that the output of electricity increased to approximately 4,390,762,000 kwh. in the week ended July 29 from 4,380,930,000 kwh. in the preceding week. The latest figures represent a gain of 3.9% over one year ago, when output reached 4,226,705,000 kwh.

Consolidated Edison Company of New York reports system output of 167,600,000 kilowatt hours in the week ended July 30, 1944, and compares with 208,500,000 kilowatt hours for the corresponding week of 1943, or a decrease of 19.6%.

Local distribution of electricity amounted to 158,800,000 kilowatt hours, compared with 191,800,000 kilowatt hours for the corresponding week of last year, a decrease of 17.2%.

R. R. Freight Loadings — Carloadings of revenue freight for the week ended July 29 totaled 910,533 cars, the Association of American Railroads announced. This was an increase of 7,499 cars, or 0.8% above the preceding week this year, and an increase of 25,008 cars, or 2.8% above the corresponding week of 1943. Compared with a similar period in 1942, an increase of 46,957 cars, or 5.4%, is shown.

Railroad Earnings — Class I railroads in the first six months of this year had a net railway operating income, before interest and rentals, of $551,424,141 compared with $712,176,144 in the same period of 1943, according to the Association of American Railroads.

Estimated net income, after interest and rentals, for the first six months amounted to $320,000,000 compared with $448,709,268 in the corresponding period of 1943.

In the 12 months ended June 30, 1944, the rate of return on property investment averaged 4.37% compared with a rate of return of 6.09% for the similar period in 1943.

Total operating revenue based on reports from all Class I railroads, representing a total of 228,723 miles, in the first six months of 1944 totaled $4,636,071,620 compared with $4,346,334,591 in the same period in 1943, or an increase of 6.7%. Operating expenses for the half year amounted to $3,077,777,848 compared with $2,630,384,684 in the corresponding period of 1943, or an increase of 17%.

Taxes paid in the first six months of 1944 totaled $909,958,509 compared with $908,452,071 in the same period of 1943. For the month of June alone, the tax bill of the Class I railroads amounted to $165,018,206, a decrease of $4,385,978, or 2.6% under June, 1943.

Fourteen Class I railroads failed to earn interest and rentals in the first six months of 1944, of which nine were in the Eastern District, one in the Southern Region, and four in the Western District.

Coal Production—The U. S. Bureau of Mines reports production of Pennsylvania anthracite for week ending July 29, 1944, at 1,252,000 tons, an increase of 30,000 tons (2.5%) over the preceding week, and a decrease of 132,000 tons (9.5%) from the corresponding week of 1943. The 1944 calendar year to date shows an increase of 8.4% when compared with the corresponding period of 1943.

The report of the Solid Fuels Administration placed bituminous production for the week ended July 29 at 12,350,000 net tons, against 11,985,000 tons in the preceding week and 12,113,000 tons in the corresponding week of last year, while output for Jan. 1 to July 29 totaled 365,380,000 tons, as against 336,278,000 tons in the same 1943 period, or a gain of 8.7%.

Stocks of bituminous coal in the hands of industrial consumers and retail dealers increased 4,388,000 tons during June, the second consecutive month of stockpile increases following more than a year and a half of almost uninterrupted decline, Harold L. Ickes, Coal Administrator, reported on Monday of this week.

Lest the public reflect undue optimism over the favorable aspects of the situation, he emphasized that soft coal stockpiles still are not sufficiently large to protect the nation against emergencies next winter, despite the June 1-July 1 increase from 55,293,000 tons to 59,681,000 tons.

Silver—The London market remained quiet and the price of silver unchanged at 23½d. The New York Official for foreign silver continued at 44¾c., with domestic silver at 70⅝c.

Crude Oil Production — Daily average gross crude oil production for the week ended July 29 was 4,608,450 barrels, a decline of 7,000 barrels from the record level attained in the previous week. Notwithstanding the lower output for the July 29 week, production in that week exceeded the daily average figure recommended by the Petroleum Administration for War for the month of July, 1944, by 2,350 barrels. The current figure was also in excess of the like week in 1943 by 475,150 barrels per day. For the four weeks ended July 29, daily output averaged 4,601,300 barrels.

Reports from refining companies indicate that the industry as a whole ran to stills (on a Bureau of Mines basis) approximately 4,627,000 barrels of crude oil daily and produced 14,115,000 barrels of gasoline. Kerosene output totaled 1,314,000 barrels with distillate fuel oil placed at 4,883,000 barrels and residual fuel oil at 8,900,000 barrels during the week ending July 29, 1944. Storage supplies at the week-end totaled 82,665,000 barrels of gasoline; 11,137,000 barrels of kerosene; 38,135,000 barrels of distillate fuel and 56,280,000 barrels of residual fuel oil.

Lumber Shipments — The National Lumber Manufacturers Association reports that lumber shipments of 505 reporting mills were 1.1% above production for the week ended July 29, but new orders of these mills dropped 10.6% below production for the same period, while unfilled order files amounted to 114.3% of stocks. For 1944 to date, shipments of reporting mills exceeded production by 5.4% and orders ran 7.5% above output.

Paper Production — Paper production for the week ended July 29 was at 92.7% of capacity as against 91.3% the preceding week, and for the week ended July 31, last year, 90.8%, the American Paper & Pulp Association's index of mill activity disclosed. As for paperboard, production for the same period was reported at 96% of capacity, against 94% in the preceding week.

Department and Retail Store Sales—Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index were 11% ahead of a year ago for the week ending July 29 and unchanged from the previous week. For the four weeks ending July 29, 1944, sales increased by 10%. A 7% increase in department store sales for the year to July 29, 1944, over 1943 was noted.

For the country at large retail trade the past week was slightly better than in the preceding period and for the corresponding week a year ago, according to Dun & Bradstreet's current weekly survey. Despite seasonal dullness, wholesale dollar volume continued at a high level. The extremely hot weather instead of curtailing retail purchases, stimulated demand for summer wear, although depleted stocks of many items worked to a degree to hold down sales volume. Quality merchandise continued to rule demand and helped to maintain a high dollar volume, the survey indicated. Fall styles attracted much interest the past week.

In the houseware section, demand was strong, but many inquiries went unsatisfied, says the report. Scatter rugs were said to be plentiful, while sales volume of sporting goods continued well over last year and interest in vacation equipment remained heavy. Main floor departments reported doing a moderate business.

A slight gain was noted in the number of buyers attending marts over the previous week, this gain exceeding the comparable week of last year, the survey pointed out. Most of them, according to the survey, were there to place scattered fill-in orders and to check on delivery dates. Some mail reordering was noted, especially in men's and boys' wear. Routine activity was the order in the textile markets with demand high and supplies inadequate. Better quality woolen and rayons were wanted with a persistent demand for cotton wash goods evident, according to the above authority.

According to Federal Reserve Bank's index, sales in New York City for the weekly period to July 29 increased by 8% over the same period of last year. For the four weeks ending July 29 sales rose by 10%, and for the year to July 29 they improved by 8%.

Activity characterized the New York retail trade market here the past week with consumer response to both clearances and offerings of early fall merchandise good, states the New York "Times." Furs enjoyed better sales than in preceding weeks, while main floor trade was brisk. The wholesale markets reflected more inactivity the past week. Reorders on some fall merchandise were noted. Buyers, the same source states, "are tending to operate more cautiously."

Retail Food Volume — According to Dun's survey of business conditions, retail food volume was about 10% above last year. Supplies of meat, poultry and fresh produce were up, while buying of dry groceries was described as slow, due partly to shortages of some canned foods.

WMC Acts To Place Employment Ceilings In Plants Not Producing War Goods

More Effective Control Designed To Provide Adequate Manpower For War Needs

In a directive calling for "closer and more effective control" to provide adequate manpower for essential war production, issued on Aug. 4 by James F. Byrnes, Director of War Mobilization, he stated that "we are still critically short of manpower in the neighborhood of plants" making "particular war materials" and he indicated that "instructions have been issued covering the necessary technical procedure to insure that these war plants will have the labor they require to make the goods required for war."

Pointing out that "we have placed ceilings on employment in war plants," Mr. Byrnes added, "we are now going to proceed vigorously wherever it is necessary to place ceilings on employment in plants not producing war goods."

Making the statement that "we have the enemy on the ropes; he is dazed and his knees are buckling," Mr. Byrnes went on to say, "this is no time to take a holiday and give him time to recover. It is time to finish the job. We cannot let down our men in the armed services."

From Mr. Byrnes's statement and directive we also quote:

"The responsibility for manning our war plants is clear and unmistakable and it rests with the communities. The communities must meet the responsibility if we are to be able to finish the war without enacting a universal service law. . . .

"In order to enforce these employment ceilings until the war requirements are met, I have authorized all governmental agencies to use every available power of government for the purpose of enforcing labor ceilings. . . .

"There is a public psychology in this country that the end of the war is near at hand. No man knows when the war will end. We must produce until the last shot is fired.

"People want to leave their jobs in war plants in order to get back to civilian business. If the present exodus from war plants continues, it is going to interfere seriously with the possibility of an early end of the war."

While we are giving further below Mr. Byrnes' statement and directive in full, we make room here for the following statement on Aug. 4 by Charles M. Hay, Deputy Chairman and Executive Director of the War Manpower Commission, with respect to Mr. Byrnes' directive on "closer and more effective control" to provide adequate manpower for war production:

"The directive of Justice Byrnes undoubtedly will be of great aid to us in making the manpower program now operating even more effective. The directive gives full recognition to the fact that the success of the manpower program depends in the last analysis upon community cooperation. It also recognizes the obligation of communities with surplus labor to furnish aid to the critically short areas.

"It undoubtedly should focus public attention upon the imperative importance of full cooperation with WMC's efforts to place workers where they are most urgently needed. This is the major purpose of our program.

"The directive should assure us of full teamwork on the part of all Government agencies in doing this job.

"The supplemental actions necessary to give full effect to Justice Byrnes' directive are being taken now and will be followed up vigorously.

"The ceiling program of the War Manpower Commission has been in effect in all Group I and II labor areas since July 1. In some areas the program does not give sufficient emphasis to reducing the employment levels in less essential activities. Justice Byrnes' order is designed to secure greater application of ceilings to such activities in order to make available the necessary manpower for the most essential war jobs. WMC intends to proceed aggressively and immediately to see that all the labor, particularly male labor that can be released in activities which are of relatively lesser importance, is made available.

"This program outlined by Justice Byrnes also is designed to be of assistance in WMC's efforts to recruit workers in labor surplus areas. Such recruitment efforts have been aggressively carried out, but the requirements of the most critical war programs located in tight labor areas call for even greater numbers than so far have been available.

"In regard to civilian production, Justice Byrnes' order, while recognizing the need for getting ready for such resumption of civilian production as may be possible, is designed specifically to make certain that under no circumstances do such programs interfere with manpower requirements for war production.

"WMC will provide its field organization with specific instructions as to how to proceed in dealing with situations where the Commission's ceilings are not complied with. Justice Byrnes' order assures the Chairman of WMC of the complete cooperation of the War Production Board and the procurement agencies so that their powers of contractual relations be brought to bear whenever noncompliance arises."

Mr. Byrnes' statement and directive follows:

"Several days ago I was advised by the procurement agencies that a shortage was developing in the production of certain vital war materials. There are certain essential facts to which public attention must be directed in order that the needs of the armed services may be met. So many changes have taken place in the methods of waging modern war that changes in the war needs are inevitable.

"At Cassino and the Normandy beachheads we learned that when we use enough artillery and bombs we can save the lives of many of our men. Our officers in the field are demanding, and they have every right to demand, increased quantities of heavy artillery, bombs and ammunition.

"For the same reason they are demanding increased production of explosives. That requires increased production in our shell and bomb loading plants.

"When we use heavy artillery to blast a beachhead we destroy all transportation facilities in the area bombed or attacked. We send our far-ranging bomber fleets to attack all transportation facilities behind the enemy so as to prevent the enemy from getting materials up to support its army near our point of attack. When the enemy retreats out of a territory he applies the scorched-earth policy and the result is that no railroads or highways are left available.

"That means we have to repair roads and move our supplies by trucks. That requires increased production of trucks and increased production of tires for them.

"These situations will be obvious to every American citizen. For the few programs in which production is now critically short and urgently needed, the facts warrant courageous action quickly to get for the Army and Navy these heavy guns and ammunition, bombs, radar equipment, trucks, tanks, construction equipment, tires and tentage fabric for housing the troops making the rapid advances which our services are making all over the world.

"These are some of the items which are required by an expanding army on a vigorous offensive. These shortages do not tell the whole story, but they are the critical ones which demand the immediate attention of government and people.

"I have spent several days in conference with the governmental agencies working on the program, and am sure they will carry through their assignments aggressively and efficiently. All are in accord that the needs of the war must come first—ahead of any thought of increased civilian production or increased employment for producing civilian goods. We have the enemy on the ropes; he is dazed and his knees are buckling. This is no time to take a holiday and give him time to recover. It is time to finish the job. We cannot let down our men in the armed services.

"Some time ago our difficulties lay primarily in the field of materials. Happily, on the whole, these shortages have been met. We are still critically short of manpower in the neighborhood of plants making these particular war materials which I have mentioned (heavy guns and ammunition, bombs, radar equipment, trucks, tanks, construction equipment, tires and tentage fabric).

"Today instructions have been issued covering the necessary technical procedure to insure that these war plants will have the labor they require to make the goods required for war.

"In the past we have been mainly concerned about the hoarding of excessive labor forces in war plants and the failure of some of our war plants to utilize available manpower to the fullest extent. We have placed ceilings on employment in war plants. We are now going to proceed vigorously whenever it is necessary to place ceilings on employment in plants not producing war goods.

"We are going to handle the problem in the area where the plants are located. We have placed responsibility on the area officials to take all necessary steps to free from civilian and less essential industries men possessing the skills required to produce war goods. The placing of these ceilings on employment may work hardships on particular individuals. We will depend upon local administration for the best possible handling of the problem. But we are going to insist that these local committees in charge of the problem meet the needs in their own areas. Wherever they have excess manpower they must accept a quota for recruitment in order to meet the needs of other critical areas where requisite manpower cannot be secured.

"The responsibility for manning our war plants is clear and unmistakable, and it rests with the communities. The communities must meet the responsibility if we are to be able to finish the war without enacting a universal service law. Those at home must work as hard as those abroad are fighting. I will arrange for instructions to the local committees to enlist the aid of all citizens and workers in not only these war industries, but in civilian industries as well, to meet their own local needs quickly.

"In order to enforce these employment ceilings until the war requirements are met, I have authorized all governmental agencies to use every available power of government for the purpose of enforcing labor ceilings. These powers include not only the control of the flow of material for use in manufacturing, but control of the use of fuel, power, transportation and every other lawful means of insuring that the ceilings are respected and the war supplies for the men at the front are promptly met.

"The War Department is rapidly gaining experience in the better utilization of war prisoners. The possibility of increased use and better use of these men in the war programs is being carefully developed. While war prisoners may not be used on war weapons and explosives, there are many parts of the program in which they can be used, and they are going to be used.

"Similarly, I am endeavoring to arrange a program for utilizing some unskilled foreign labor for a limited period where it is impossible to secure adequate local labor.

"There is a public psychology in this country that the end of the war is near at hand. No man knows when the war will end. We must produce until the last shot is fired.

"People want to leave their jobs in war plants in order to get back to civilian business. If the present exodus from war plants continues, it is going to interfere seriously with the possibility of an early end of the war.

"In order to be prepared for the end of the war the War Production Board has planned a procedure under which it will permit the manufacture of civilian goods when conditions permit. In general terms there will be no increase in civilian production permitted in any area where the labor required for it is needed in war production. Our war needs will come first, and civilian production must not interfere with it. The War Production Board has had no other intention.

"Workers and manufacturers undoubtedly realize that the promulgation of the plan covering reconversion and any resumption of production of civilian goods merely means that while the government is putting forth every effort to end the war, it is at the same time preparing to handle the problem of reconversion. It is planning for increased civilian production only when there are available supplies and man power of the kind not required for the essential war programs. And while the executive department of government is engaging itself in these plans and their perfection, Congress is similarly engaged in developing the legislative program.

"These plans by the executive and by Congress do not mean that we definitely expect an early end of the war. They do mean that whenever the war ends in any major phase, we intend to be ready to lessen the shock of the transition of war to peace.

Text of the Directive

"The following is the directive issued today regarding the administration of the plans for labor utilization, recruitment, labor ceilings in war and civilian plants and the decentralized procedure, so that local problems can be handled locally by those having intimate knowledge of local conditions.

"On Sept. 4, 1943, the Office of War Mobilization announced a program designed to meet war and essential civilian man-power needs which was applicable to the West Coast. Subsequently, the program was extended to all critical labor areas throughout the United States. In substance, it provided for the establishment of area-production urgency committees in each critical labor area, under the chairmanship of a representative of the War Production Board, with membership from the interested procurement agencies. The committee was empowered to establish relative urgencies within the areas for man power in accord with directives from the production executive committee of the War Production Board. There was also established in each area a man-power priorities committee under the chairmanship of the War Man-Power Commission, which was empowered to establish ceilings, to control referrals, to meet the priorities established by the area-production urgency committees and to assure the proper utilization of man power within the area.

"Continued difficulties in meeting important parts of our war-production schedules and the increasing desirability of establishing a means for a more rapid allocation of man power to meet shifts from war to civilian production at the appropriate time now require a closer and more effective control. Therefore, it is directed:

"1. Based upon the requirements for essential production and services determined by the area-production urgency committees, the man-power priorities committees in all Groups 1 and 2 labor areas shall promptly establish employment ceilings in war industries to enforce better utilization of existing labor; it shall establish ceilings in less essential industries which will make labor available for essential war production; it shall set man-power priorities and it shall take such other measures as may be necessary to insure proper and full utilization of existing man power. In case of disagreement, the decision of the chairman of the man-power priorities committee shall be deemed as final, shall become immediately effective and shall not be suspended pending any appeal that may be taken.

"2. The determinations of the area man-power priorities committee made under 1 will be executed through the responsible government agencies. Upon application of the chairman of the War Man-Power Commission, all interested governmental agencies will apply any and all sanctions lawfully available to the government, including the allocation of materials, fuel, power and services to insure compliance with the determination of the committee.

"3. If an area-production urgency committee, established in a Group 1 or 2 labor area, certifies that the need for production is immediately established in Groups Commission will not delay or refuse to proceed with labor referrals in the area on the ground that proper utilization of labor is not being made.

4. Area-production urgency committees and man-power priorities committees shall be immediately established in Groups 3 and 4 labor areas. The area-production urgency committees which will be established in such areas are charged with the responsibility of authorizing increased civilian production. No increased civilian production will be authorized in the area without the approval of this committee. It will not authorize such production until the representative of the War Man-Power Commission within the area has certified in writing to the committee that labor is available for such production without interference with local and inter-regional labor recruiting efforts therein.

"5. The general procedures established in the west coast man-power program, effective Sept. 15, 1943, will continue to be applicable except as herein modified.

"6. All responsible governmental agencies shall promptly issue any appropriate regulations to make effective the foregoing."

Daily Average Crude Oil Production For Week Ended July 29, 1944 Decreased 7,000 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended July 29, 1944 was 4,608,450 barrels, down 7,000 barrels from the record level reached in the preceding week. The current figure was, however, 2,350 barrels higher than the daily average figure recommended by the Petroleum Administration for War for the month of July, 1944, and exceeded the week ended July 31, 1943 by 475,150 barrels per day. Daily output for the four weeks ended July 29, 1944 averaged 4,601,300 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,627,000 barrels of crude oil daily and produced 14,115,000 barrels of gasoline; 1,314,000 barrels of kerosine; 4,883,000 barrels of distillate fuel oil, and 8,900,000 barrels of residual fuel oil during the week ended July 29, 1944; and had in storage at the end of that week 82,665,000 barrels of gasoline; 11,137,000 barrels of kerosine; 38,135,000 barrels of distillate fuel, and 56,280,000 barrels of residual fuel oil. The above figures apply to the country as a whole, and do not reflect conditions on the East Coast.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations July	*State Allowables begin. July 1	Actual Production Week Ended July 29, 1944	Change from Previous Week	4 Weeks Ended July 29, 1944	Week Ended July 31, 1943
Oklahoma	332,000	332,000	†339,500	— 1,700	340,000	333,500
Kansas	274,000	269,400	†279,250	— 6,050	277,400	306,150
Nebraska	1,000	----	†950	+ 50	900	2,200
Panhandle Texas			89,150	----	89,200	90,400
North Texas			151,550	----	151,600	137,700
West Texas			463,550	----	463,000	245,600
East Central Texas			148,350	----	148,400	128,000
East Texas			363,550	----	363,600	371,000
Southwest Texas			319,750	----	319,800	230,000
Coastal Texas			531,400	----	531,400	412,900
Total Texas	2,064,000	‡2,064,698	2,067,300	----	2,067,200	1,615,600
North Louisiana			72,350	+ 300	72,000	84,500
Coastal Louisiana			284,400	----	285,400	264,000
Total Louisiana	350,000	389,000	357,750	+ 300	357,400	348,500
Arkansas	78,000	77,991	80,500	----	80,500	77,400
Mississippi	41,000		45,050	+ 100	44,600	53,250
Alabama			200	----	200	----
Florida			50	----	100	----
Illinois	215,000		207,600	— 650	205,300	218,850
Indiana	14,600		13,400	+ 750	13,200	13,850
Eastern— (Not incl. Ill., Ind., Ky.)	71,200		53,150	— 8,250	60,800	81,050
Kentucky	22,000		24,950	+ 1,800	23,600	25,050
Michigan	51,000		50,850	+ 1,250	50,500	57,900
Wyoming	94,000		93,450	+ 5,700	87,300	100,000
Montana	24,400		21,900	— 200	22,100	21,450
Colorado	7,400		8,600	— 300	8,600	7,300
New Mexico	113,000	113,000	103,500	----	108,300	103,950
Total East of Calif.	3,752,600		3,752,950	— 7,200	3,747,700	3,366,000
California	853,500	§853,500	855,500	+ 200	853,600	767,300
Total United States	4,606,100		4,608,450	— 7,000	4,601,300	4,133,300

*P.A.W. recommendations and state allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. July 27, 1944.

‡This is the net basic allowable as of July 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 1 to 15 days, the entire state was ordered shut down for 7 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 7 days shutdown time during the calendar month. §Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED JULY 29, 1944

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	Daily Refining Capacity Potential Rate	Daily Refining Capacity % Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuel Oil	‡Stocks of Residual Fuel Oil
*Combin'd: East Coast Texas Gulf, Louisiana Gulf, North Louisiana-Arkansas, and inland Texas	2,518	90.3	2,432	96.6	7,088	37,473	20,481	16,948
Appalachian— District No. 1	130	83.9	109	83.8	277	2,246	466	322
District No. 2	47	87.2	41	87.2	99	1,532	175	145
Ind., Ill., Ky.	824	85.2	758	92.0	2,672	18,091	5,858	4,097
Okla., Kans., Mo.	418	80.2	362	86.6	1,355	6,799	1,779	1,540
Rocky Mountain— District No. 3	13	17.0	12	92.3	34	55	3	36
District No. 4	141	58.3	99	70.2	331	2,220	348	604
California	817	89.9	814	99.6	2,259	14,249	9,025	32,598
Total U. S. B. of M. basis July 29, 1944	4,908	87.2	4,627	94.3	14,115	†82,665	38,135	56,280
Total U. S. B. of M. basis July 22, 1944	4,908	87.2	¶4,670	95.2	14,243	82,150	37,513	55,315
U. S. Bur. of Mines basis July 31, 1943			3,769		11,102	73,409	34,328	67,361

*At the request of the Petroleum Administration for War. †Finished, 70,175,000 barrels; unfinished, 12,490,000 barrels. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,314,000 barrels of kerosine, 4,883,000 barrels of gas oil and distillate fuel oil and 8,900,000 barrels of residual fuel produced during the week ended July 29, 1944, which compares with 1,464,000 barrels, 5,073,000 barrels and 8,947,000 barrels, respectively, in the preceding week and 1,187,000 barrels, 3,579,000 barrels and 8,433,000 barrels, respectively, in the week ended July 31, 1943. ¶Revised in California due to error by reporting company.

Note—Stocks of kerosine at July 29, 1944 amounted to 11,137,000 barrels, as against 11,085,000 barrels a week earlier and 9,179,000 barrels a year before.

Electric Output For Week Ended Aug. 5, 1944 Shows 3.7% Gain Over Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Aug. 5, 1944, was approximately 4,399,433,000 kwh., compared with 4,240,638,000 kwh. in the corresponding week a year ago, an increase of 3.7%. The output for the week ended July 29, 1944, was 3.9% in excess of the similar period of 1943.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

Major Geographical Divisions—	Week Ended— Aug. 5	July 29	July 22	July 15
New England	1.3	1.4	0.3	*0.7
Middle Atlantic	*3.1	*3.7	*3.5	*2.5
Central Industrial	3.2	2.7	2.7	3.3
West Central	1.9	0.0	1.2	4.5
Southern States	8.1	9.0	9.7	9.2
Rocky Mountain	*4.5	*5.3	*3.2	*4.6
Pacific Coast	14.4	16.9	18.5	17.6
Total United States	3.7	3.9	4.4	4.6

*Decrease under similar week in 1943.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1944	1943	% Change over 1943	1942	1932	1929
May 6	4,233,756	3,903,723	+ 8.5	3,365,208	1,436,928	1,698,942
May 13	4,238,375	3,969,161	+ 6.8	3,356,921	1,435,731	1,704,426
May 20	4,245,678	3,992,250	+ 6.3	3,379,985	1,425,151	1,705,460
May 27	4,291,750	3,990,040	+ 7.6	3,322,651	1,381,452	1,615,085
June 3	4,144,490	3,925,893	+ 5.6	3,372,374	1,435,471	1,689,925
June 10	4,264,600	4,040,376	+ 5.5	3,463,528	1,441,532	1,699,227
June 17	4,287,251	4,098,401	+ 4.6	3,433,711	1,440,541	1,702,501
June 24	4,325,417	4,120,038	+ 5.0	3,457,024	1,456,961	1,723,428
July 1	4,327,359	4,110,793	+ 5.3	3,424,188	1,341,730	1,592,075
July 8	3,940,854	3,919,398	+ 0.5	3,428,916	1,415,704	1,711,625
July 15	4,377,152	4,184,143	+ 4.6	3,565,367	1,433,903	1,727,225
July 22	4,380,930	4,196,357	+ 4.4	3,625,645	1,440,386	1,732,031
July 29	4,390,762	4,226,705	+ 3.9	3,649,146	1,426,986	1,724,728
Aug. 5	4,399,433	4,240,638	+ 3.7	3,637,070	1,415,122	1,729,667
Aug. 12	------	4,287,827		3,654,795	1,431,910	1,733,110
Aug. 19	------	4,264,825		3,673,717	1,436,440	1,750,056
Aug. 26	------	4,322,195		3,639,961	1,464,700	1,761,594

Steel Operations Up 0.1% — Volume Continues At High Levels — Orders Exceeding Shipments

"Steel order volume this past week continued at recent high levels with no signs of any decline," the "Iron Age" states in its issue of today (Aug. 10), further adding: "It was noted, however, that even though orders were pouring in to steel mills and were, in most cases, in excess of shipments, steel customers generally were putting their houses in order for sudden cancellations of war contracts. Closer inventory control was evident everywhere this week. Some manufacturers who are behind schedule are reported pressing for delivery of steel with an eye on cancellation, while those ahead of schedule are said to be eyeing the delivery status of steel closely for the same reason.

"In the face of the outstanding steel record in recent months comes the prediction this week by the WPB that steel output in the fourth quarter may run between 94% and 95% of capacity. The only time in recent months that the steel rate sagged to 95% was in the Fourth of July week when some plants were shut down for the holiday. Since that time raw steel output has been maintained at or above 96% of capacity. Whether or not the rate will drop as low as that predicted by the WPB remains to be seen. The prediction is said to be predicated upon a steel manpower deficit of 50,000 workmen. Defeat of Germany by the fourth quarter of this year would in itself cause a temporary sharp drop in steel ingot production following drastic cutbacks, but this factor is not believed to have been present in the WPB forecast.

"Along the post-war controversy front reports from Washington this week were to the effect that Congressional and some war agency sources believe that all WPB reconversion plans have been scuttled by the Byrnes manpower directive of Aug. 4. The government men adhering to this view and who decline to be quoted say that the recent 'hullabaloo' raised by the War Department over lags in war production resulted in Mr. Byrnes granting to the War Manpower Commission what is practically a National Service Act. The directive gives WMC power to set employment ceilings on all industries wherever located. WMC under the directive can prohibit resumption of civilian production wherever it will 'interfere with war production.'

"Heavy sheet demand is apparent. Bolted storage tanks for the war fronts have been placed in substantial quantity which will go far towards replacing tonnage cut from the shell container program recently. Heavy orders from ammunition box and electrical equipment manufacturers have also been placed. The galvanized sheet market has become so over extended that deliveries are now being quoted for March, 1945. Even this date may be spread out further by the award of the balance of the 1945 Quonset hut program which requires about 60,000 tons of galvanized sheets."

The American Iron and Steel Institute on Aug. 7 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 97.0% of capacity for the week beginning Aug. 7, compared with 96.9% one week ago, 95.7% one month ago and 97.8% one year ago. The operating rate for the week beginning Aug. 7 is equivalent to 1,737,500 tons of steel ingots and castings, compared to 1,735,000 tons one week ago, 1,714,300 tons one month ago, and 1,704,000 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Aug. 7 stated in part as follows:

"With military procurement agencies, particularly the Army, striving for a new peak in ordnance production this fall, pressure for prompt steel tonnage appears as heavy as it has been at any time.

"Meeting the challenge, steelmakers, now operating at about 97% of capacity, are doing better than predicted early in the season, when it was estimated freely that ingot output in third quarter would be down 7% to 8% or more, because of manpower shortage, hot weather and need for equipment repair. Now the necessity is apparent for higher operating rates if the new goals are to be achieved and this means more labor and a minimum of work stoppages.

"Of major importance to the ordnance program, also, is need for greater manpower in some affiliated lines, where severe choke points have developed, especially in forgings and castings. However, attention of Washington and industry representatives to this situation, holds some promise of relief. Additional shellmaking equipment is nearing completion and when this is installed shell production should rise sharply. One leading steel maker is expected to be able to get under way with a large shell contract early in September.

"To meet contingencies some cutbacks have been made in certain lines to provide capacity for more production in others. Recent easing in the submarine program to expedite construction of certain types of cruisers and other craft is a case in point. Recently several plate mills have received reductions in tonnage for submarines, the gaps being promptly filled by other requirements.

"Plates and sheet continue in principal demand, with relatively little diversity in the former and apart from Navy and Maritime Commission requirements there is little other plate demand at the moment. In a short time railroad equipment orders are expected to increase, although there should be little immediate pressure, bcause of greater importance of ship work."

NYSE Short Interest Higher On July 31

The New York Stock Exchange announced on August 8 that the short interest as of the close of business on the July 31 settlement date, as compiled from information obtained by the New York Stock Exchange from its members and member firms, was 1,327,641 shares, compared with 1,287,970 shares on June 30, both totals excluding short positions carried in the odd-lot accounts of all odd-lot dealers. As of the July 31 settlement date, the total short interest in all odd-lot dealers accounts was 43,292 shares, compared with 39,587 shares on June 30. The announcement of the Exchange added:

Of the 1,241 individual stock issues listed on the Exchange on July 31, there were 60 issues in which a short interest of 5,000 or more shares existed, or in which a change in the short position of 2,000 or more shares occurred during the month.

The number of issues in which a short interest was reported as of July 31, exclusive of odd-lot dealers short positions, was 683 compared with 715 on June 30.

In the following tabulation is shown the short interest existing at the close of the last business day for the last 12 months:

1943—	
July 30	836,764
Aug. 31	801,321
Sept. 30	761,827
Oct. 29	729,291
Nov. 30	760,166
Dec. 31	737,042
1944—	
Jan. 31	847,335
Feb. 29	960,617
Mar. 31	1,028,487
Apr. 29	1,090,581
May 31	1,181,293
June 30	1,287,970
July 31	1,327,641

Redeem Panama Bonds

The National City Bank of New York, as fiscal agent of the Loan, is notifying holders of Republic of Panama 26-year 3½% External Secured Refunding Bonds, series B, due Mar. 15, 1967, that $108,000 aggregate principal amount of these bonds have been drawn by lot for redemption at 102½% on Sept. 15, 1944. The bonds, together with all unmatured interest coupons attached, should be presented at the head office of The National City Bank of New York, fiscal agent for the loan. Interest on the bonds drawn for redemption shall cease from and after the redemption date.

Living Costs in Large Cities Up 0.2% From May 15-June 15, Labor Dept. Reports

Retail prices of the goods and services important in the budget of city families advanced two-tenths of 1% between mid-May and mid-June, Frances Perkins, Secretary of Labor, reported on July 31. "Prices of all principal groups in the budget except rent and fuel, electricity and ice were slightly higher than a month ago," she said.

"During the last year," she added, "prices charged moderate-income city families for living essentials have shown comparatively little change, on the average. In June, 1944, the Bureau of Labor Statistics cost of living index was 0.5% higher than in June, 1943, and 27.2% above the level of August, 1939, the month preceding the outbreak of war in Europe.

"Over the month from May to June retail food prices increased only 0.1%, considerably less than the usual seasonal rise. At this level, they were 4.4% below average prices in June of 1943, before the prices of meats were rolled back. In the 12-month period ending June, 1943, in contrast, food prices had increased 15.2%." The Secretary of Labor went on to say:

"The increase for food over the month was due chiefly to seasonal increases in eggs and some fresh fruits and vegetables; particularly white potatoes, sweet potatoes, oranges and apples. Potato prices advanced over 13% (more than double the usual seasonal advance), due principally to the disappearance of last year's late potatoes and increased sales of the higher priced new potatoes. Onions and beans dropped 28 and 15%, respectively.

"House furnishings costs continued to advance, as higher priced living room furniture with steel springs replaced the wartime types in an increasing number of cities. Lower-priced bedroom and dining-room furniture was not available in a number of cities and consumers were forced to buy the higher-priced suites. Prices for some of the smaller furnishings such as cotton towels and brooms also rose during the month.

"Clothing prices rose 0.4%. Prices of cotton clothing were generally higher. There were also sharp increases over last season's prices for men's tropical worsted suits, cotton slacks, and straw hats, and for women's cotton frocks. Small supplies of men's cotton summer suits, shorts and pajamas, and women's cotton nightgowns and children's underwear were reported in many cities, with low-cost merchandise particularly scarce.

"Rents remained generally stable since March, when data were last collected, with slight low-cost merchandise particularly scarce.

"Rents remained generally stable since March, when data were last collected, with slight increases reported in 15 cities and decreases in eight cities. There were continued reports of scarcity of desirable housing.

"Fuel, electricity and ice costs decreased 0.2% on the average. A large rebate allowed electricity consumers in Portland, Ore., and lower prices for anthracite coal in a number of cities were responsible for the decrease.

"Prices of miscellaneous goods and services were higher. Newspaper prices increased in five cities and costs of prescriptions and medical care, as well as beauty shops services and shoe repairs continued to advance."

Note—The BLS index indicates average changes in retail prices of selected goods, rents and services bought by families of wage earners and lower-salaried workers in large cities. The items covered represented 70% of the expenditures of families who had incomes ranging from $1,250 to $2,000 in 1934-36.

The index does not show the full wartime effect on the cost of living of such factors as lowered quality, disappearance of low-priced goods and forced changes in housing and eating away from home.

It does not measure changes in total "living costs"—that is, in the total amount families spend for living. Income taxes and bond subscriptions are not included.

COST OF LIVING IN LARGE CITIES

Indexes, 1935-39=100*

Date—	All items	Food	Clothing	Rent	Fuel electricity and ice	House-furnishings	Miscellaneous
1939: Aug. 15	98.6	93.5	100.3	104.3	97.5	100.6	100.4
1941: Jan. 15	100.8	97.8	100.7	105.0	100.8	100.1	101.9
1942: May 15	116.0	121.6	126.2	109.9	104.9	122.2	110.9
Sep. 15	117.8	126.6	125.8	108.0	106.2	123.6	111.4
1943: June 15	124.8	141.9	127.9	108.0	107.7	125.4	115.7
1944: April 15	†124.6	134.6	†137.1	108.1	109.9	†132.9	†120.9
May 15	†125.1	135.5	†137.4	108.1	109.8	†135.0	†121.3
June 15	125.4	135.7	138.0	108.1	109.6	138.4	121.7

*These indexes are based on changes in the cost of goods purchased by wage earners and lower-salaried workers in large cities combined. †Revised.

PERCENT OF CHANGE

Date—	All items	Food	Clothing	‡Rent	Fuel, electr. and ice	House furnishings	Miscellaneous
May 15, 1944 to June 15, 1944	+ 0.2	+ 0.1	+ 0.4	0	— 0.2	+ 2.5	+ 0.3
June 15, 1943 to June 15, 1944	+ 0.5	— 4.4	+ 7.9	+ 0.1	+ 1.8	+10.4	+ 5.2
Sept. 15, 1942 to June 15, 1944	+ 6.5	+ 7.2	+ 9.7	+ 0.1	+ 3.2	+12.0	+ 9.2
May 15, 1942 to June 15, 1944	+ 8.1	+11.6	+ 9.4	— 1.6	+ 4.5	+13.3	+ 9.7
Jan. 15, 1941 to June 15, 1944	+24.4	+38.8	+37.0	+ 3.0	+ 8.7	+38.3	+19 4
Aug. 15, 1939 to June 15, 1944	+27.2	+45.1	+37.6	+ 3.6	+12.4	+37.6	+21.2

Market Value Of Stocks On New York Stock Exchange Higher On July 31

The New York Stock Exchange announced on Aug. 5 that as of the close of business July 31, there were 1,241 stock issues, aggregating 1,496,510,392 shares listed on the New York Stock Exchange, with a total market value of $52,488,254,469. This compares with 1,242 stock issues, aggregating 1,492,874,003 shares, with a total market value of $53,067,698,691 on June 30.

In making public the July 31 figures the Stock Exchange further said:

As of the close of business July 31, New York Stock Exchange member total net borrowings amounted to $786,574,524, of which $510,186,873 represented loans which were not collateralized by U. S. Government issues. The ratio of the latter borrowings to the market value of all listed stocks, on that date, was, therefore, 0.97%. As the loans not collateralized by U. S. Government issues include all other types of member borrowings, these ratios will ordinarily exceed the precise relationship between borrowings on listed shares and their total market value.

In the following table listed stocks are classified by leading industrial groups with the aggregate market value and average price for each:

	July 31, 1944 Market Value $	July 31, 1944 Av. Price $	June 30, 1944 Market Value $	June 30, 1944 Av. Price $
Amusement	587,253,078	25.37	610,372,353	26.36
Automobile	4,591,239,508	38.97	4,785,102,998	39.91
Aviation	633,277,881	17.76	623,463,803	17.49
Building	636,516,266	30.24	662,109,050	31.46
Business and Office Equipment	469,165,211	36.06	476,529,331	36.63
Chemical	6,283,221,929	65.47	6,412,909,751	66.79
Electrical Equipment	1,705,788,279	41.24	1,740,778,046	42.09
Farm Machinery	831,666,856	60.73	856,021,903	62.56
Financial	1,044,819,495	21.55	1,056,255,287	21.59
Food	3,384,294,875	40.08	3,378,210,373	40.00
Garment	47,954,668	28.71	48,603,318	29.06
Land & Realty	34,365,673	7.08	35,861,834	7.39
Leather	262,902,764	31.13	263,088,051	31.21
Machinery & Metals	1,925,846,289	26.79	1,950,565,968	27.16
Mining (excluding iron)	1,452,775,312	23.51	1,480,842,595	23.96
Paper & Publishing	589,874,699	25.25	594,685,101	25.46
Petroleum	6,185,992,604	30.47	6,245,959,565	30.77
Railroad	4,199,807,840	38.47	4,109,020,873	38.21
Retail Merchandising	2,903,730,191	39.49	2,897,855,040	39.79
Rubber	647,550,017	60.96	652,615,587	61.44
Ship Building & Operating	104,453,175	18.94	104,475,412	18.94
Shipping Services	18,941,635	10.98	19,992,464	11.59
Steel, Iron & Coke	2,361,708,359	46.71	2,386,116,138	47.20
Textiles	578,547,676	37.54	594,663,925	38.59
Tobacco	1,397,421,048	51.31	1,407,844,045	51.69
Utilities:				
Gas & Electric (Operating)	2,314,759,944	22.34	2,322,713,393	22.41
Gas & Electric (Holding)	1,299,512,659	13.49	1,296,710,826	13.46
Communications	3,881,150,898	91.66	3,891,660,482	92.00
Miscellaneous Utilities	123,541,329	21,18	126,389,862	21.63
U. S. Cos. Operating Abroad	858,150,076	25.24	872,981,431	25.72
Foreign Companies	960,305,216	23,20	999,832,016	24.15
Miscellaneous Businesses	171,719,019	27.11	163,467,870	27.85
All Listed Stocks	52,488,254,469	35.07	53,067,698,691	35.55

We give below a two-year compilation of the total market value and the average price of stocks listed on the Exchange:

	Market Value $	Average Price $		Market Value $	Average Price $
1942—			1943—		
July 31	34,443,805,860	23.42	Aug. 31	47,710,472,858	32.04
Aug. 31	34,871,607,323	23.70	Sept. 30	48,711,451,018	32.82
Sept. 30	35,604,809,453	24.20	Oct. 30	48,178,040,869	32.44
Oct. 31	37,727,599,526	25.65	Nov. 30	45,101,778,943	30.33
Nov. 30	37,374,462,460	25.41	Dec. 31	47,607,294,582	31.96
Dec. 31	38,811,728,666	26.39			
1943—			1944—		
Jan. 30	41,410,585,043	28.16	Jan. 31	48,396,650,695	32.47
Feb. 27	43,533,661,753	29.61	Feb. 29	48,494,092,518	32.51
Mar. 31	45,845,738,377	31.20	Mar. 31	49,421,855,812	33.12
Apr. 30	46,192,361,639	31.45	Apr. 29	48,670,491,772	32.59
May 29	48,437,700,647	32.96	May 31	50,964,039,424	34.14
June 30	48,878,520,886	33.27	June 30	53,067,698,691	35.55
July 31	47,577,989,240	32.17	July 31	52,488,254,469	35.07

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES†
(Based on Average Yields)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Aug. 8	120.03	112.56	118.60	117.00	112.19	103.30	106.74	114.27	117.00
7	120.00	112.56	118.80	117.00	112.19	103.30	106.92	114.27	117.20
5	120.05	112.56	118.80	117.00	112.19	103.30	106.92	114.27	117.00
4	120.08	112.56	118.80	117.00	112.19	103.30	106.74	114.08	117.20
3	120.14	112.56	118.80	117.00	112.19	103.30	106.74	114.08	117.28
2	120.14	112.56	118.80	117.00	112.19	103.30	106.92	114.08	117.20
1	120.09	112.56	118.80	117.00	112.19	103.30	106.74	114.08	117.20
July 28	120.10	112.37	118.60	116.80	112.19	103.13	106.56	114.27	117.00
21	120.18	112.56	118.60	117.00	112.19	103.13	106.56	114.27	117.20
14	120.23	112.56	118.60	117.20	112.19	103.13	106.39	114.08	117.40
7	120.27	112.56	118.60	117.00	112.37	102.96	106.21	114.08	117.40
June 30	120.15	112.37	118.60	116.80	112.00	102.80	106.04	113.89	117.40
23	120.13	112.19	118.40	116.80	112.00	102.63	106.04	113.89	117.20
16	120.01	112.19	118.40	116.61	112.00	102.63	105.86	113.70	117.20
9	119.88	112.19	118.60	116.61	111.81	102.46	105.69	113.89	117.20
2	119.99	112.19	118.60	116.80	111.81	102.46	105.86	113.89	117.00
May 26	119.66	112.19	118.40	116.80	111.81	102.30	105.86	113.89	117.00
19	119.59	112.00	118.60	116.80	111.81	102.13	105.86	113.89	116.80
12	119.48	112.00	118.60	116.80	111.81	101.64	105.52	113.89	116.80
5	119.48	111.81	118.40	116.61	111.62	101.47	105.52	113.70	116.41
Apr. 28	119.35	111.81	118.40	116.61	111.62	101.47	105.34	113.70	116.41
Mar. 31	119.68	111.44	118.20	116.41	111.25	100.81	104.66	113.70	116.22
Feb. 25	120.21	111.25	118.20	116.41	111.07	100.32	104.31	113.50	116.22
Jan. 28	119.47	111.07	118.20	116.22	111.07	100.16	104.14	113.31	116.41
High 1944	120.44	112.56	118.80	117.20	112.37	103.30	106.92	114.27	117.40
Low 1944	119.34	110.70	118.20	116.22	110.88	99.04	103.30	113.12	116.02
High 1943	120.87	111.44	119.41	117.00	111.81	99.36	103.47	114.27	117.40
Low 1943	116.85	107.44	116.80	113.89	108.88	92.35	97.16	111.81	114.46
1 Year Ago Aug. 7, 1943	120.19	111.25	119.20	117.00	111.62	99.04	103.13	114.08	117.40
2 Years Ago Aug. 8, 1942	117.97	107.09	116.80	113.31	108.34	92.06	96.23	111.44	[illegible]

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Aug. 8	1.79	3.03	2.72	2.80	3.05	3.55	3.35	2.94	2.80
7	1.80	3.03	2.71	2.80	3.05	3.55	3.34	2.94	2.79
5	1.79	3.03	2.71	2.80	3.05	3.55	3.34	2.94	2.80
4	1.79	3.03	2.71	2.80	3.05	3.55	3.35	2.95	2.79
3	1.79	3.03	2.71	2.80	3.05	3.55	3.35	2.95	2.79
2	1.79	3.03	2.71	2.80	3.05	3.55	3.34	2.95	2.79
1	1.79	3.03	2.71	2.80	3.05	3.55	3.35	2.95	2.79
July 28	1.79	3.04	2.72	2.81	3.05	3.56	3.36	2.94	2.80
21	1.79	3.03	2.72	2.80	3.05	3.56	3.36	2.94	2.79
14	1.78	3.03	2.72	2.79	3.05	3.56	3.37	2.95	2.78
7	1.78	3.03	2.72	2.80	3.04	3.57	3.38	2.95	2.78
June 30	1.79	3.04	2.72	2.81	3.06	3.58	3.39	2.96	2.78
23	1.79	3.05	2.73	2.81	3.06	3.59	3.39	2.96	2.79
16	1.80	3.05	2.73	2.82	3.06	3.59	3.40	2.97	2.79
9	1.82	3.05	2.72	2.82	3.07	3.60	3.41	2.96	2.79
2	1.81	3.05	2.72	2.81	3.07	3.60	3.40	2.96	2.80
May 26	1.84	3.05	2.73	2.81	3.07	3.61	3.40	2.96	2.80
19	1.84	3.06	2.72	2.81	3.07	3.62	3.40	2.96	2.81
12	1.85	3.06	2.72	2.81	3.07	3.65	3.42	2.96	2.81
5	1.85	3.07	2.73	2.82	3.08	3.66	3.42	2.97	2.83
Apr. 28	1.86	3.07	2.73	2.82	3.08	3.66	3.43	2.97	2.83
Mar. 31	1.83	3.09	2.74	2.83	3.10	3.70	3.47	2.97	2.84
Feb. 25	1.81	3.10	2.74	2.83	3.11	3.73	3.49	2.98	2.84
Jan. 28	1.87	3.11	2.74	2.84	3.11	3.74	3.50	2.99	2.83
High 1944	1.87	3.13	2.74	2.84	3.12	3.81	3.55	3.00	2.85
Low 1944	1.77	3.03	2.71	2.79	3.04	3.55	3.34	2.94	2.78
High 1943	2.08	3.31	2.81	2.96	3.23	4.25	3.93	3.07	2.93
Low 1943	1.79	3.09	2.68	2.80	3.07	3.79	3.54	2.94	2.78
1 Year Ago Aug. 7, 1943	1.84	3.10	2.69	2.80	3.08	3.81	3.56	2.95	2.78
2 Years Ago Aug. 8, 1942	2.02	3.33	2.81	2.99	3.26	4.27	3.99	3.09	2.94

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Course In Technical Sales Of Fuels

The National Coal Association and the Ohio Coal Association have endorsed the new course in technical sales of fuels to be offered this fall by Cleveland College, downtown center of Western Reserve University, Cleveland, Ohio. Their endorsement was given in the interest of obtaining coal salesmen sufficiently trained to become consultants in the uses of coal both as a fuel and as a raw material for many new industrial products. This was announced by Dean Herbert C. Hunsaker of Cleveland College, who said the course, which leads to the degree of Bachelor of Science, is designed to give fuel salesmanship the status of a profession. It embraces science, business administration and the art of self-expression.

Professor H. S. Booth, head of the Division of Science and Mathematics at Cleveland College, commented that the coal industry "has many big sales problems ahead, although the prospects for coal sales are the brightest in history. New combustion methods," he said, "have increased the importance of coal for heating, lighting and power. New hydrogenation processes have widened the possibilities of converting coal into gasoline, oil and lubricants. Chemistry has created new uses for coal as a source of chemicals, dyes, rubber, plastics, fabrics, drugs and innumerable other products. A salesman, in demonstrating the ever-growing possibilities of coal, should have a solid technical background. He must have a good foundation in chemistry and related sciences; he must have a sound business training, and then through courses in writing and speaking, be trained to convey his ideas clearly and effectively."

The student will have a choice of completing the course in four years or taking an accelerated course or of extending the time required by following the cooperative study plan.

Those interested may communicate with Cleveland College, Western Reserve University, Public Square, Cleveland 14, Ohio, for application blanks.

Szymczak Of Reserve Bd. To Confer In London

Foreign Economic Administrator Leo T. Crowley announced on July 28 that M. S. Szymczak, a member of the Board of Governors of the Federal Reserve System who has been loaned to the Foreign Economic Administration, is expected to leave soon for conferences in London with representatives of the Government of Belgium. Mr. Szymczak will discuss with them problems related to the reestablishment of Belgium's production and trade after her liberation, according to the announcement, which also said:

"It is expected that Belgium will wish to purchase in the United States supplies vitally needed for the rehabilitation of the country."

Mr. Szymczak will be accompanied by Thomas Matters, of the Belgium and Belgian Congo Section of FEA, and Ensign George L. Bach, USN, formerly an assistant to Mr. Szymczak.

Moody's Daily Commodity Index

Tuesday, Aug. 1, 1944	249.9
Wednesday, Aug. 2	249.7
Thursday, Aug. 3	249.9
Friday, Aug. 4	249.6
Saturday, Aug. 5	249.6
Monday, Aug. 7	249.2
Tuesday, Aug. 8	249.2
Two weeks ago, July 25	250.2
Month ago, Aug. 8	249.3
Year ago, Aug. 7, 1943	245.1
1943 High, April 1	249.8
Low, Jan. 2	240.2
1944 High, March 17	251.5
Low, Jan. 5	247.0

Weekly Coal And Coke Production Statistics

The Solid Fuels Administration for War, U. S. Department of Commerce, in its latest report, states that the total production of soft coal in the week ended July 29, 1944 is estimated at 12,350,000 net tons, an increase of 365,000 tons, or 3%, over the preceding week. In the corresponding week of 1943, output amounted to 12,113,000 tons. Cumulative production of soft coal from Jan. 1 to July 29 totaled 365,380,000 tons, as against 336,278,000 tons in the same period in 1943, a gain of 8.7%.

According to the U. S. Bureau of Mines, output of Pennsylvania anthracite for the week ended July 29, 1944 was estimated at 1,252,000 tons, an increase of 30,000 tons (2.5%) over the preceding week. When compared with the production in the week ended July 31, 1943, there was, however, a decrease of 132,000 tons, or 9.5%. The calendar year to date shows an increase of 8.4% when compared with the corresponding period in 1943.

The Bureau of Mines also reported that the estimated production of beehive coke in the United States for the week ended July 29, 1944 showed a decrease of 9,300 tons when compared with the output in the week ended July 22, 1944; and was 25,700 tons less than for the corresponding period of 1943.

ESTIMATED UNITED STATES PRODUCTION OF COAL, IN NET TONS

Bituminous coal and lignite—	Week Ended July 29, 1944	Week Ended July 22, 1944	Week Ended July 31, 1943	January 1 to Date *July 29, 1944	January 1 to Date July 31, 1943	January 1 to Date July 31, 1937
Total incl. mine fuel	12,350,000	11,985,000	12,113,000	365,380,000	336,278,000	256,690,000
Daily average	2,058,000	1,998,000	2,019,000	2,041,000	1,868,000	1,439,000

*Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

Penn. anthracite—	Week Ended ‡July 29, 1944	Week Ended §July 22, 1944	Week Ended July 31, 1943	Calendar Year to Date July 29, 1944	Calendar Year to Date July 31, 1943	Calendar Year to Date July 31, 1937
*Total incl. coll. fuel	1,252,000	1,222,000	1,384,000	37,960,000	35,022,000	31,225,000
†Commercial produc.	1,202,000	1,173,000	1,329,000	36,443,000	33,621,000	29,664,000
Beehive coke—						
United States total	140,500	149,800	166,200	4,481,400	4,443,400	2,115,500

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES

(In Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

State—	Week Ended July 22, 1944	Week Ended July 15, 1944	Week Ended July 24, 1943	Week Ended July 24, 1937
Alabama	387,000	397,000	406,000	251,000
Alaska	5,000	4,000	5,000	3,000
Arkansas and Oklahoma	88,000	88,000	92,000	37,000
Colorado	126,000	142,000	149,000	71,000
Georgia and North Carolina	1,000	*	1,000	*
Illinois	1,375,000	1,416,000	1,482,000	680,000
Indiana	566,000	563,000	477,000	245,000
Iowa	45,000	40,000	40,000	33,000
Kansas and Missouri	165,000	144,000	144,000	84,000
Kentucky—Eastern	984,000	998,000	999,000	671,000
Kentucky—Western	410,000	420,000	295,000	132,000
Maryland	40,000	42,000	38,000	27,000
Michigan	2,000	2,000	3,000	5,000
Montana (bitum. & lignite)	83,000	74,000	84,000	40,000
New Mexico	30,000	33,000	38,000	31,000
North & South Dakota (lignite)	45,000	42,000	35,000	13,000
Ohio	655,000	687,000	690,000	403,000
Pennsylvania (bituminous)	2,950,000	2,980,000	3,078,000	2,017,000
Tennessee	150,000	147,000	120,000	95,000
Texas (bituminous & lignite)	2,000	2,000	2,000	19,000
Utah	130,000	128,000	111,000	37,000
Virginia	370,000	383,000	396,000	247,000
Washington	35,000	32,000	32,000	30,000
†West Virginia—Southern	2,100,000	2,192,000	2,239,000	1,631,000
‡West Virginia—Northern	1,090,000	1,157,000	977,000	530,000
Wyoming	150,000	147,000	157,000	71,000
§Other Western States	1,000	*	*	*
Total bituminous & lignite	11,985,000	12,260,000	12,090,000	7,403,000
Pennsylvania anthracite	1,222,000	1,266,000	1,333,000	519,000
Total, all coal	13,207,000	13,526,000	13,423,000	7,922,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Civil Engineering Construction $31,818,000 For Week

Civil engineering construction in continental United States totals $31,818,000 for the week. This volume, not including the construction by military engineers abroad, American contracts outside the nation, and shipbuilding, is 22% lower than in the preceding week, 33% below the total for the corresponding 1943 week, and 26% below the previous four-week moving average as reported to "Engineering News-Record" and made public on Aug. 3. The report went on to say:

Private construction tops the 1943 week by 40%, but is 43% lower than a week ago. Public work is 44 and 10% lower, respectively, than a year ago and a week ago, due to the decrease in federal volume.

The current week's construction brings 1944 volume to $1,082,209,000 for the 31 weeks, a decline of 49% from the $2,110,029,000 reported for the 1943 period. Private construction, $248,638,000, is 5% lower than last year, and public construction, $833,571,000, is down 55% as a result of the 60% decrease in federal work.

Civil engineering construction volumes for the 1943 week, last week, and the current week are:

	Aug. 5, '43	July 27, '44	Aug. 3, '44
Total U. S. Construction	$47,489,000	$41,066,000	$31,818,000
Private Construction	6,330,000	15,553,000	8,864,000
Public Construction	41,159,000	25,513,000	22,954,000
State and Municipal	3,110,000	5,191,000	7,673,000
Federal	28,049,000	20,322,000	15,281,000

In the classified construction groups, gains over last week are in waterworks, earthwork and drainage, streets and roads, and unclassified. Increases over the 1943 week are in waterworks, bridges, industrial buildings, earthwork and drainage, and streets and roads. Subtotals for the week in each class of construction are: waterworks, $906,000; sewerage, $681,000; bridges, $436,000; industrial buildings, $4,229,000; commercial building and large-scale private housing, $803,000; public buildings, $7,761,000; earthwork and drainage, $2,204,000; streets and roads, $5,728,000; and unclassified construction, $9,070,000.

New capital for construction purposes for the week totals $5,389,000, and is made up entirely of state and municipal bond sales. The week's new financing brings 1944 volume to $1,559,680,000, a total 47% below the $2,921,585,000 reported for the 31-week 1943 period.

National Fertilizer Association Wholesale Commodity Price Index Continues To Advance

The weekly wholesale commodity price index compiled by The National Ferttilizer Association and made public on Aug. 7, advanced to 138.8 in the latest week ending Aug. 5, reaching a new high point. A week ago this index was 138.4, a month ago it was 138.0, and a year ago 134.8, based on the 1935-1939 average as 100. The index is now 3.0% above the corresponding period of last year. The Association's report went on to say:

The all-commodity index continued to advance again reflecting higher quotations in the foods and farm products groups. The foods group advanced fractionally because of higher prices for dried beans. There was a substantial advance in the farm products group due to a new high level reached in the prices for livestock. The livestock group index is now 6.5% above the corresponding period of last year. Prices for cotton declined fractionally. Lower prices for one grade of wheat and for barley more than offset higher prices for wheat at Minneapolis and rye, resulting in a slightly lower level in the grains index. The textiles group index declined slightly because of the downward trend of cotton prices.

During the week nine price series in the index advanced and four declined; in the preceding week there were eight advances and five declines; and in the second preceding week there were five advances and seven declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Aug. 5, 1944	Preceding Week July 29, 1944	Month Ago July 8, 1944	Year Ago Aug. 7, 1943
25.3	Foods	141.6	141.5	140.9	138.0
	Fats and Oils	145.1	145.1	145.1	145.6
	Cottonseed Oil	163.1	163.1	163.1	160.7
23.0	Farm Products	162.9	161.2	159.8	154.0
	Cotton	201.5	203.1	208.6	195.5
	Grains	157.8	157.9	160.1	146.5
	Livestock	158.7	155.6	151.6	149.0
17.3	Fuels	130.1	130.1	130.1	122.8
10.8	Miscellaneous commodities	132.2	132.2	132.2	130.1
8.2	Textiles	152.4	152.6	153.3	150.6
7.1	Metals	104.4	104.4	104.4	104.4
6.1	Building materials	154.0	154.0	153.4	152.5
1.3	Chemicals and drugs	126.9	126.9	126.9	126.6
.3	Fertilizer materials	118.3	118.3	118.1	117.7
.3	Fertilizers	119.7	119.7	119.7	119.8
.3	Farm machinery	104.5	104.5	104.5	104.1
100.0	All groups combined	138.8	138.4	138.0	134.8

*Indexes on 1926-1928 base were: Aug. 5, 1944, 108.1; July 29, 107.8, and Aug. 7, 1943, 105.0.

Consumer Credit Outstanding Down In June

The Board of Governors of the Federal Reserve System announced on July 31 that total consumer credit outstanding during the past year has moved within fairly narrow limits, a large part of the change being attributable to seasonal factors. During June the amount outstanding increased nearly 55 million dollars to an estimated total of 4,952 millions. Single-payment and instalment loans accounted for most of this increase, and automotive sale credit also rose slightly. The Board's report went on to say:

"Instalment loans outstanding increased about 2% during June, largely due to a well-sustained loan volume. Nevertheless, the amount outstanding at the end of the month was 5% less than a year earlier. Single-payment loans have shown a gradual rise over the past three months and at the end of June were about 3% above the year-ago level.

"Automotive sale credit in June increased at about the same rate as in May. Instalment sale credit based on the purchase of other consumers' durable goods declined slightly during June and continued considerably below the corresponding month of 1943.

"Charge-account indebtedness declined about 1% during June when little change is expected. At the end of the month the amount outstanding was 2% higher than on June 30, 1943."

CONSUMER CREDIT OUTSTANDING
(Short-term credit. In millions of dollars. Figures estimated)

	June 30, 1944	Increase or decrease from: May 31, 1944	Increase or decrease from: June 30, 1943
*Total consumer credit	4,952	+54	—143
Instalment sale credit:			
Automotive	192	+11	— 16
Other	514	— 5	—174
†Instalment loans	1,119	+18	— 60
Charge accounts	1,370	—20	+ 32
Single-payment loans	1,041	+44	+ 27

*Includes service credit not shown separately. †Includes repair and modernization loans. Estimates for these credits are in process of revision.

Pope Pius Desircus Of Restoration Of Poland—Urges Collaboration By Poles With Russia

In one of his historic speeches on Poland, Pope Pius XII on July 28 counseled his Polish soldier-listeners not to take vengeance or reprisals for what had been done to their country and to collaborate with all good men in its restoration.

Stripped of their traditional cautious phraseology, said special advices from Rome to the New York "Times" July 28, the Pontiff's words, spoken in French, meant that the Poles should not take vengeance against the Germans and Russians, who occupied their land in 1939, and that they should now collaborate with the Russians. The advices to the "Times" went on to say:

This impressive, solemn injunction, consistent with the Pope's ideas on peace, came at the end of his speech. Here is a translation of the Pontiff's words:

"Knowing as we know the noble heart of your people, we are convinced that love of Christ will inspire you to do what already political wisdom suggests that you do. This love will raise you well above purely human calculations and lead you to disdain bitter satisfactions of reprisals and vengeance and to prefer in their place the sublime task of validating your legitimate claims, of restoring and reconstituting your fatherland, of working in common with all good men [les ames droites] who are numerous in all nations and to reestablish friendly relations between members of the great family of God."

The Pope began with a moving welcome to his "very dear sons from beloved Poland." Pius told them he had been following with "sorrow and anxiety" the events that had overwhelmed Poland but that "we never for an instant despaired of the new resurrection of your fatherland."

"In reality," Pius continued, "although your national soil is all red with the blood which bathes it, your rights are so sure that we have a firm hope that all nations will take recognizance of their debt toward Poland, the theatre and too often the plaything of their conflicts, and that whoever retains a spark of truly human Christian sentiment in his heart will seek to revindicate for her the entire place which is her due, according to principles of justice and true peace."

The Pope reiterated an ardent desire which he began expressing as early as Sept. 30, 1939, when he received the Polish colony in Rome after the German invasion of Poland; that is, the desire to see Poland restored to nationhood.

This was implicit throughout his speech although the Pontiff never used the word "independent," which has been used by Premier Joseph Stalin of the Soviet Union, in a sense that the Vatican would not perhaps agree with.

The speech was made into a great and solemn occasion at the Vatican. Of all his international subjects Poland has been nearest to his heart. Poland has provided some memorable audiences and speeches with forthright condemnation of the Nazis.

Five hundred Polish soldiers gathered this morning in the Sala Clementina. They were headed by Gen. Kazimierz Sosnkowski, Commander in Chief of the Armed Forces; Lieut. Gen. Wladyslaw Anders, commander of the Second Polish Corps in Italy; Bishop Joseph Gawlina, chief chaplain, and other high officers as well as Ambassador Casimir Papee.

Over the occasion hung a dark shadow of the knowledge that their tragic country was again a battlefield for the Germans and Russians and that its fate lay not in their hands but in Premier Stalin's. It was a delicate moment and one that did not call for that condemnation which Pius leveled against the Germans in 1939. So it was an address of extreme caution.

In the course of his speech the Pope gave an important definition of what he called "secret national strength" as follows: "A power which keeps in view only the true good of the people and reciprocally a people unanimously submissive, with confidence in their leaders and with a view toward the common good."

Denies Bond Frauds

Roy E. Crummer, head of R. E. Crummer & Co., Orlando, Florida, has issued a statement through attorneys blaming business enemies in Florida for his indictment by a Federal grand jury on charges of mail fraud and violations of the Securities and Exchange Act in refunding city and county bonds issued in Florida. He declared that he and his associates had "rendered an outstanding and highly valuable service" to the bondholders in connection with refunding about $170,000,000 in bonds.

Frank L. Carson, Chairman of the Board of the Wichita First National Bank, named in the indictment as among those defrauded, expressed his confidence that Mr. Crummer and his associates would be cleared "when the complete story is told."

Trading On New York Exchanges

The Securities and Exchange Commission made public on July 27 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended July 15, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended July 15 (in round-lot transactions) totaled 2,581,009 shares, which amount was 16.01% of the total transactions on the Exchange of 8,060,880 shares. This compares with member trading during the week ended July 8 of 2,688,172 shares, or 15.55% of the total trading of 8,644,710 shares. On the New York Curb Exchange, member trading during the week ended July 15 amounted to 717,335 shares, or 14.01% of the total volume on that exchange of 2,559,125 shares; during the July 8 week trading for the account of Curb members of 621,960 shares was 14.13% of total trading of 2,201,410 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED JULY 15, 1944

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	190,660	
‡Other sales	7,870,220	
Total sales	8,060,880	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	601,390	
Short sales	84,700	
‡Other sales	551,710	
Total sales	636,410	7.68
2. Other transactions initiated on the floor—		
Total purchases	434,680	
Short sales	30,100	
‡Other sales	416,110	
Total sales	446,210	5.46
3. Other transactions initiated off the floor—		
Total purchases	205,342	
Short sales	32,990	
‡Other sales	223,987	
Total sales	256,977	2.87
4. Total—		
Total purchases	1,241,412	
Short sales	147,790	
‡Other sales	1,191,807	
Total sales	1,339,597	16.01

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED JULY 15, 1944

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	30,975	
‡Other sales	2,528,150	
Total sales	2,559,125	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	184,535	
Short sales	10,220	
‡Other sales	162,705	
Total sales	172,925	6.98
2. Other transactions initiated on the floor—		
Total purchases	64,470	
Short sales	4,200	
‡Other sales	69,040	
Total sales	73,240	2.69
3. Other transactions initiated off the floor—		
Total purchases	55,690	
Short sales	13,650	
‡Other sales	152,825	
Total sales	166,475	4.34
4. Total—		
Total purchases	304,695	
Short sales	28,070	
‡Other sales	384,570	
Total sales	412,640	14.01
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	70,180	
Total purchases	70,180	
Total sales	60,417	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Wholesale Prices For Week Ended July 29 Practically Unchanged, Labor Dept. Reports

During the last week in July commodity prices in primary markets continued to move within a very narrow range, said the U. S. Department of Labor on Aug. 3, which added: "Prices were seasonally lower for certain fruits and vegetables, and higher for hogs, live poultry in the New York market, rye and naval stores. For the third consecutive week the Bureau of Labor Statistics' index remained unchanged at 103.9% of the 1926 average. The all-commodity index is 0.2% lower than for the last week in June, although it is silghtly more than 1% above the level prevailing a year ago, said the Department, which went to say.

"Farm products and foods—Fluctuations in market prices for farm products did not affect the index for the group, which remained unchanged at 124.1% of the 1926 level. Higher prices were reported for hogs, which advanced nearly 6% during the week on the average, and for live poultry and rye. There were declines of 1% for wheat, 2% for oats, and 1% for cotton. Prices were lower for eggs, apples, lemons, oranges, and for potatoes in most markets. Quotations for sheep were nearly 2% lower than for the previous week. In the past four weeks average market prices for farm products have declined about 1% and they are 0.2% lower than for the corresponding week in July, 1943.

"Led by a drop of more than 0.5% in prices for eggs and lower prices for fruits and vegetables and rye flour, market prices for foods declined 0.7%. In addition to price changes for farm products included in the foods group, cured pork quotations were nearly 2% lower. At 105.3% of the 1926 average, the foods group index is 1.3% below the last week in June and 1% lower than at this time last year.

"Industrial commodities—In the industrial commodity markets price changes were limited to a minor decrease in quotations for goatskins and advances of about 1% for rosin and turpentine. Prices for industrial commodities have remained relatively stable during 1944, with an increase of only 0.9%. They average 1.6% above the last week in July, 1943."

The Labor Department also included the following notation in its report:

"During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports."

The following tables show (1) index numbers for the principal groups of commodities for the past three weeks, for July 1, 1944 and July 31, 1943, and the percentage changes from a week ago, a month ago, and a year ago, and (2) percentage changes in subgroup indexes from July 22 to 29, 1944.

WHOLESALE PRICES FOR WEEK ENDED JULY 29, 1944

(1926=100)

Commodity Groups—	7-29 1944	7-22 1944	7-15 1944	7-1 1944	7-31 1943	Percentage change to July 29, 1944 from— 7-22 1944	7-1 1944	7-31 1943
All commodities	*103.9	*103.9	*103.9	*104.1	102.8	0	—0.2	+ 1.1
Farm products	124.1	124.1	124.2	125.5	124.3	0	—1.1	— 0.2
Foods	105.3	106.0	105.6	106.7	106.4	—0.7	—1.3	— 1.0
Hides and leather products	116.8	116.8	116.8	116.8	118.4	0	0	— 1.4
Textile products	97.4	97.4	97.3	97.3	96.9	0	+0.1	+ 0.5
Fuel and lighting materials	83.9	83.9	83.8	83.8	81.6	0	+0.1	+ 2.8
Metals and metal products	*103.8	*103.8	*103.8	*103.8	103.8	0	0	0
Building materials	115.9	115.9	115.8	115.9	110.8	0	0	+ 4.6
Chemicals and allied products	105.2	105.2	105.2	105.3	100.1	0	—0.1	+ 5.1
Housefurnishing goods	106.0	106.0	106.0	106.0	104.2	0	0	+ 1.7
Miscellaneous commodities	93.3	93.3	93.3	93.3	92.1	0	0	+ 1.3
Raw materials	113.8	113.8	113.9	114.6	113.0	0	—0.7	+ 0.7
Semimanufactured articles	93.8	93.8	93.7	93.7	92.7	0	+0.1	+ 1.2
Manufactured products	*101.1	*101.1	*101.0	*101.1	99.8	0	0	+ 1.3
All commodities other than farm products	*99.5	*99.5	*99.5	*99.5	98.2	0	0	+ 1.7
All commodities other than farm products and foods	*98.7	*98.7	*98.6	*98.7	97.1	0	0	+ 1.6

*Preliminary.

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM JULY 22, 1944 TO JULY 29, 1944

Increases			
Livestock and poultry	3.1	Paint and paint materials	0.1
Decreases			
Fruits and vegetables	3.6	Hides and skins	0.2
Other farm products	1.6	Cereal products	0.1
Grains	0.8	Other foods	0.1

Non-Ferrous Metals—Magnesium Production Curtailed—Sales Of Major Metals Light

"E. & M. J. Metal and Mineral Markets," in its issue of Aug. 3, stated: "With supplies of the light metals described officially as ample, the trend in production for both aluminum and magnesium continues downward. Recently, WPB announced another reduction in its production program for magnesium. Output of copper, lead, and zinc has dropped this summer, owing to the manpower shortage, but deficiencies in home supplies in most instances have been offset by increased importations. Consumers are concerned about the possibility of sharp cutbacks this fall, which is reflected in mounting caution in making new commitments. Quicksilver remains steady on decreased selling pressure in the Pacific Coast market." The publication further went on to say in part:

Copper

Anxiety over the supply outlook for copper has virtually disappeared. Domestic output has declined, owing to the manpower situation, but imports have been increased to keep the overall supply on an even keel. Canadian metal has been moving into the United States on a larger scale.

Fabricators consumed 149,618 tons of copper during June, against 149,182 tons in May. Fabricators' stocks of refined copper at the end of June amounted to 332,356 tons, against 341,037 tons a month previous.

Order M-9-c has been amended to release frozen inventory stocks of copper and copper alloy building materials, such as weather stripping, pipe for connecting water heaters to replace worn-out units, etc. The order continues to prohibit the manufacture of copper and copper-base alloy for use in building construction. So far as virgin copper is concerned, the amended order changes nothing.

Lead

Though most sellers of lead experienced a quiet trading period, turn-of-the-month business brought sales volume for last week up to 6,574 tons, against 2,576 tons in the previous week. Consumption of lead has been holding up well, and it is thought likely that August deliveries may exceed 65,000 tons. Battery makers, the cable industry, and manufacturers of chemical plant equipment are absorbing good tonnages.

Receipts of lead in ore and in scrap treated in connection with ore, plus some scrap received by primary refiners, totaled 51,901 tons in June, against 46,941 tons in May, according to the American Bureau of Metal Statistics.

Zinc

In announcing the subsidy allowed smelters treating Tri-State concentrate, the WPB said that "the present stockpile of zinc appears adequate to meet the most adverse and unexpected circumstances in the future." However, the authorities hold that the closing down of smelters at this time would endanger the war program. Recovery of cadmium was mentioned as a contributing factor in maintaining production of zinc. Recently, it was disclosed by the press that the stockpile of cadmium amounted to 1,672,300 pounds. Demand for cadmium has slackened.

With August requirements of consumers covered, the market for zinc last week was inactive.

Tin

Exports of tin concentrates from Bolivia during June contained 3,029 metric tons of tin, against 3,127 tons in May, and 2,975 tons in June last year, according to the American Metal Market. Exports during the first half of 1944 contained 17,504 tons of tin, against 18,399 tons in the Jan.-June period of 1943 and 19,415 tons in the same period of 1942. Patino exported 8,439 tons (tin contained) in the first half of the year; Hochschild 4,410 tons; Aramayo 1,022 tons, medium producers 1,744 tons; and small producers 1,679 tons.

The price situation in tin here was unchanged last week. Straits quality metal for shipment, in cents per pound, was as follows:

	August	Sept.	Oct.
July 27	52.000	52.000	52.000
July 28	52.000	52.000	52.000
July 29	52.000	52.000	52.000
July 31	52.000	52.000	52.000
Aug. 1	52.000	52.000	52.000
Aug. 2	52.000	52.000	52.000

Chinese, or 99% tin, was unchanged at 51.125c per pound.

Magnesium

WPB announced last week that production of magnesium has been reduced by 7,517,000 pounds a month to conserve on manpower, materials, and bring supplies more in line with stockpile objectives. The program, involving five plants, follows:

	Monthly Production Former Rate, Pounds	New Rate, Pounds
Dow, Marysville, Mich.	3,600,000	Shut Down
Dow, Valesco, Texas	6,600,000	6,000,000
Magnesium, Reduction Luckey, Ohio	1,050,000	833,000
Electro Metallurgical, Spokane, Wash.	2,300,000	1,200,000
Basic Magnesium, Las Vegas, Nev.	6,500,000	4,500,000

The actual shutdown date for the plant at Marysville has not been determined by WPB. The cutback at Valesco will reduce production to rated capacity. Curtailment at Luckey will bring production down to rated capacity and make available need alloying facilities. Plants at Spokane and Las Vegas are in what is described as tight labor areas.

Quicksilver

Producers on the Pacific Coast believe that the price outlook for the near future favors sellers, owing to a sharp drop in production. Quotations in New York were maintained last week at $102 to $106 per flask, depending on quantity.

The E.&M.J. average price of quicksilver (New York) for July was $100.560 per flask, against $101.692 for June, and $196.000 for July last year.

Silver

The London market remained quiet and the price unchanged at 23½d. The New York Official for foreign silver continued at 44¾c, with domestic at 70⅝c.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Aug. 2 a summary for the week ended July 22 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended July 22, 1944

	Total for Week
Odd-Lot Sales by Dealers (Customers' purchases)	
Number of orders	26,935
Number of shares	786,105
Dollar value	$28,196,844
Odd-Lot Purchases by Dealers—(Customers' sales)	
Number of Orders:	
Customers' short sales	278
*Customers' other sales	25,476
Customers' total sales	25,754
Number of Shares:	
Customers' short sales	10,037
*Customers' other sales	701,947
Customers' total sales	711,984
Dollar value	$24,129,294
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	130
†Other sales	180,710
Total sales	180,840
Round-Lot Purchases by Dealers:	
Number of shares	234,220

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Revenue Freight Car Loadings During Week Ended July 29, 1944, Increased 7,499 Cars

Loading of revenue freight for the week ended July 29, 1944 totaled 910,533 cars, the Association of American Railroads announced on Aug. 3. This was an increase above the corresponding week of 1943 of 25,008 cars, or 2.8%, and an increase above the same week in 1942 of 46,957 cars or 5.4%.

Loading of revenue freight for the week of July 29 increased 7,499 cars, or 0.8% above the preceding week.

Miscellaneous freight loading totaled 400,508 cars, a decrease of 180 cars below the preceding week, but an increase of 14,469 cars above the corresponding week in 1943.

Loading of merchandise less than carload lot freight totaled 103,715 cars, an increase of 1,234 cars above the preceding week, and an increase of 5,009 cars above the corresponding week in 1943.

Coal loading amounted to 180,901 cars, an increase of 4,603 cars above the preceding week, and an increase of 2,767 cars above the corresponding week in 1943.

Grain and grain products loading totaled 57,409 cars, a decrease of 2,314 cars below the preceding week and a decrease of 1,144 cars below the corresponding week in 1943. In the Western Districts alone, grain and grain products loading for the week of July 29, totaled 39,726 cars, a decrease of 851 cars below the preceding week and a decrease of 2,927 cars below the corresponding week in 1943.

Livestock loading amounted to 14,878 cars, an increase of 908 cars above the preceding week, and an increase of 608 cars above the corresponding week in 1943. In the Western Districts alone loading of live stock for the week of July 29, totaled 10,196 cars an increase of 693 cars above the preceding week, and an increase of 93 cars above the corresponding week in 1943.

Forest products loading totaled 53,120 cars, an increase of 2,383 cars above the preceding week and an increase of 4,938 cars above the corresponding week in 1943.

Ore loading amounted to 85,173 cars, an increase of 705 cars above the preceding week but a decrease of 1,531 cars below the corresponding week in 1943.

Coke loading amounted to 14,829 cars, an increase of 160 cars above the preceding week, but a decrease of 108 cars below the corresponding week in 1943.

All districts reported increases compared with the corresponding week in 1943, except the Eastern, Pocahontas and Northwestern and all districts reported increases compared with 1942 except the Pocahontas.

	1944	1943	1942
5 Weeks of January	3,796,477	3,531,811	3,858,479
4 weeks of February	3,159,492	3,055,725	3,122,942
4 weeks of March	3,135,155	3,073,445	3,174,781
5 weeks of April	4,068,625	3,924,981	4,209,907
4 weeks of May	3,446,252	3,363,195	3,311,637
5 weeks of June	4,343,193	4,003,393	4,139,395
Week of July 8	745,141	808,630	855,158
Week of July 15	904,804	877,335	857,146
Week of July 22	903,034	883,838	855,515
Week of July 29	910,533	885,525	863,576
Total	25,412,706	24,407,878	25,248,535

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended July 29, 1944. During the period 78 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED JULY 29

Railroads	Total Revenue Freight Loaded 1944	1943	1942	Total Loads Received from Connections 1944	1943
Eastern District—					
Ann Arbor	285	235	397	1,419	1,560
Bangor & Aroostook	1,065	939	1,045	530	423
Boston & Maine	6,670	6,394	6,010	14,014	14,789
Chicago, Indianapolis & Louisville	1,265	1,432	1,441	2,130	2,106
Central Indiana	29	29	27	68	50
Central Vermont	1,156	1,078	943	2,383	2,623
Delaware & Hudson	6,282	6,717	6,635	12,956	12,105
Delaware, Lackawanna & Western	8,069	7,909	7,628	10,860	13,183
Detroit & Mackinac	198	190	233	144	122
Detroit, Toledo & Ironton	1,758	2,112	1,547	1,325	1,438
Detroit & Toledo Shore Line	325	290	327	2,666	2,463
Erie	13,403	14,448	13,186	18,033	17,608
Grand Trunk Western	4,027	3,743	3,676	7,834	7,753
Lehigh & Hudson River	161	158	141	2,623	2,607
Lehigh & New England	2,038	2,090	2,178	1,782	1,854
Lehigh Valley	8,871	9,052	8,788	16,034	15,733
Maine Central	2,356	2,284	2,292	2,736	2,651
Monongahela	6,477	6,388	6,449	349	381
Montour	2,634	2,245	2,403	14	82
New York Central Lines	52,749	56,789	46,323	55,722	58,162
N. Y., N. H. & Hartford	9,216	9,903	9,226	18,229	18,520
New York, Ontario & Western	1,296	1,280	1,025	3,246	2,542
New York, Chicago & St. Louis	6,686	7,561	7,285	16,169	16,957
N. Y., Susquehanna & Western	402	460	408	2,196	2,713
Pittsburgh & Lake Erie	8,112	7,686	8,029	9,049	9,041
Pere Marquette	5,755	5,017	5,291	7,984	8,102
Pittsburg & Shawmut	865	906	750	23	25
Pittsburg, Shawmut & North	366	426	349	269	309
Pittsburgh & West Virginia	1,394	998	1,232	3,103	3,597
Rutland	399	350	338	1,140	1,071
Wabash	6,181	5,404	5,651	12,455	13,075
Wheeling & Lake Erie	6,170	5,293	5,507	4,536	5,403
Total	166,660	169,806	156,760	232,021	239,048
Allegheny District—					
Akron, Canton & Youngstown	741	798	643	1,284	1,136
Baltimore & Ohio	48,423	43,718	43,431	31,458	30,957
Bessemer & Lake Erie	7,251	6,066	6,538	2,294	2,049
Buffalo Creek & Gauley	*320	278	281	*6	5
Cambria & Indiana	1,708	1,832	2,025	8	6
Central R. R. of New Jersey	7,152	7,325	7,157	20,953	22,725
Cornwall	478	686	574	63	53
Cumberland & Pennsylvania	214	227	278	12	18
Ligonier Valley	150	133	138	53	42
Long Island	2,284	1,857	944	4,032	3,741
Penn-Reading Seashore Lines	1,603	1,720	1,754	2,847	2,891
Pennsylvania System	91,420	90,013	83,938	67,793	70,106
Reading Co.	14,257	16,356	15,020	30,055	29,082
Union (Pittsburgh)	19,563	22,072	21,050	7,711	7,563
Western Maryland	4,708	4,344	4,195	13,145	12,501
Total	200,272	197,425	187,966	181,714	182,875
Pocahontas District—					
Chesapeake & Ohio	29,849	29,015	28,893	13,800	14,094
Norfolk & Western	22,258	22,885	23,358	8,656	7,605
Virginian	4,752	5,016	4,835	2,218	2,225
Total	56,859	56,916	*57,086	24,674	23,924
Southern District—					
Alabama, Tennessee & Northern	428	271	389	497	399
Atl. & W. P.—W. R. R. of Ala	798	631	914	2,228	2,840
Atlanta, Birmingham & Coast	882	848	1,057	1,312	1,226
Atlantic Coast Line	10,086	11,368	10,266	9,829	9,728
Central of Georgia	3,915	3,784	3,972	5,428	4,120
Charleston & Western Carolina	712	372	597	1,661	1,668
Clinchfield	1,942	1,793	1,728	3,095	2,805
Columbus & Greenville	197	311	402	281	166
Durham & Southern	127	113	134	541	400
Florida East Coast	832	1,483	815	1,391	1,923
Gainesville Midland	48	48	36	107	74
Georgia	1,324	1,074	1,361	2,280	3,261
Georgia & Florida	399	491	639	690	557
Gulf, Mobile & Ohio	4,558	3,846	4,253	4,655	4,326
Illinois Central System	28,165	28,498	27,060	16,722	17,485
Louisville & Nashville	26,915	25,885	26,036	11,804	11,171
Macon, Dublin & Savannah	206	258	220	721	701
Mississippi Central	315	267	304	870	491
Nashville, Chattanooga & St. L.	3,155	3,284	3,061	4,741	4,749
Norfolk Southern	1,626	1,591	1,729	1,651	1,307
Piedmont Northern	382	350	335	1,179	1,015
Richmond, Fred. & Potomac	440	434	485	10,816	9,442
Seaboard Air Line	9,701	9,629	10,044	8,736	8,156
Southern System	26,212	22,076	24,665	25,441	23,615
Tennessee Central	662	520	670	770	895
Winston-Salem Southbound	127	100	100	1,005	829
Total	124,154	119,325	121,272	118,451	113,349
Northwestern District—					
Chicago & North Western	19,829	22,313	21,132	13,627	14,401
Chicago Great Western	2,574	2,849	2,160	3,219	2,820
Chicago, Milw., St. P. & Pac.	22,258	21,171	19,254	10,493	10,601
Chicago, St. Paul, Minn. & Omaha	3,193	4,191	3,233	3,874	3,933
Duluth, Missabe & Iron Range	30,502	27,336	30,239	307	481
Duluth, South Shore & Atlantic	548	1,024	1,161	425	631
Elgin, Joliet & Eastern	9,559	8,610	9,097	10,899	11,864
Ft. Dodge, Des Moines & South	426	448	555	84	102
Great Northern	24,201	26,935	27,196	7,200	5,711
Green Bay & Western	475	422	493	1,036	1,012
Lake Superior & Ishpeming	2,562	2,679	2,291	48	41
Minneapolis & St. Louis	2,168	2,027	2,156	2,678	2,477
Minn., St. Paul & S. S. M.	7,769	7,106	7,371	3,225	2,699
Northern Pacific	12,207	11,647	11,665	6,405	5,113
Spokane International	178	204	196	627	440
Spokane, Portland & Seattle	3,256	2,881	2,897	3,431	3,341
Total	141,705	141,843	141,096	67,578	65,667
Central Western District—					
Atch., Top. & Santa Fe System	29,045	21,339	23,955	13,469	12,054
Alton	3,624	3,367	3,380	4,411	4,454
Bingham & Garfield	321	462	698	78	108
Chicago, Burlington & Quincy	20,885	22,308	18,650	12,958	12,160
Chicago & Illinois Midland	3,256	3,000	2,616	810	850
Chicago, Rock Island & Pacific	14,887	13,064	12,772	13,742	11,952
Chicago & Eastern Illinois	2,850	2,520	2,251	6,621	5,372
Colorado & Southern	765	899	749	2,450	1,950
Denver & Rio Grande Western	4,161	3,990	3,743	6,913	6,513
Denver & Salt Lake	755	709	646	15	13
Fort Worth & Denver City	1,126	988	932	2,053	1,498
Illinois Terminal	2,610	1,856	1,518	2,240	2,389
Missouri-Illinois	1,193	1,207	1,313	591	462
Nevada Northern	1,658	1,962	2,105	113	114
North Western Pacific	1,124	959	1,245	967	902
Peoria & Pekin Union	1	11	6	0	0
Southern Pacific (Pacific)	34,320	33,399	32,409	15,111	13,302
Toledo, Peoria & Western	304	269	278	2,001	1,827
Union Pacific System	18,618	16,306	14,300	17,990	18,967
Utah	449	602	572	7	3
Western Pacific	2,066	2,604	2,271	4,327	4,723
Total	144,018	131,821	126,409	105,867	99,614
Southwestern District—					
Burlington-Rock Island	777	386	969	312	183
Gulf Coast Lines	5,549	4,504	4,242	2,644	3,124
International-Great Northern	2,758	1,840	2,737	3,698	3,316
Kansas, Oklahoma & Gulf	318	325	346	981	1,139
Kansas City Southern	5,907	4,876	4,094	2,881	2,771
Louisiana & Arkansas	3,859	3,206	4,456	2,658	3,218
Litchfield & Madison	319	349	291	1,249	1,516
Midland Valley	737	709	848	434	236
Missouri & Arkansas	167	207	147	344	430
Missouri-Kansas-Texas Lines	6,751	5,415	5,526	5,260	5,920
Missouri Pacific	18,460	17,325	17,303	19,180	18,758
Quanah Acme & Pacific	65	63	78	428	270
St. Louis-San Francisco	10,077	9,224	9,570	8,764	8,915
St. Louis Southwestern	3,234	2,703	3,054	7,516	7,319
Texas & New Orleans	12,288	11,762	13,559	5,800	5,766
Texas & Pacific	5,440	5,321	5,584	8,053	6,975
Weatherford M. W. & N. W.	107	145	129	39	47
Wichita Falls & Southern	43	18	54	48	31
Total	76,865	68,378	72,987	70,289	69,934

*Previous week's figure.

Note—Previous year's figures revised.

Weekly Statistics Of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1944—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Cumulative
April 1	138,724	141,959	607,537	93	94
April 8	179,056	144,422	635,727	94	94
April 15	145,936	143,883	636,176	92	94
April 22	138,712	158,871	610,555	98	94
April 29	147,768	156,041	601,880	98	95
May 6	186,666	158,534	628,495	98	95
May 13	144,921	150,435	620,728	95	95
May 20	140,287	157,370	602,062	97	95
May 27	138,501	155,105	582,090	96	95
June 3	170,421	152,461	599,322	93	95
June 10	144,384	157,794	584,083	96	95
June 17	147,689	154,137	577,721	95	95
June 24	130,510	156,338	549,830	96	95
July 1	152,954	155,170	544,454	95	95
July 8	145,317	98,235	586,379	60	94
July 15	145,775	147,478	586,103	91	94
July 22	157,041	152,402	590,263	94	94
July 29	139,743	157,720	570,626	96	94

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Factory Workers Hours, Earnings Decline In May

The number of hours worked by wage earners in manufacturing totaled approximately 590,000,000 in May, or about 1,750,000 less than in April, Secretary of Labor Frances Perkins reported on July 20.

"The average number of hours worked per man per week was 45.4, which compares with the Easter-induced low of 45.0 in April," she said. "However," Secretary Perkins added, "the decline in employment of 150,000 more than offset the slight increase in the workweek.

"Only three of the nine durable goods groups reported a greater number of manufacturing hours. Although the average work-week was longer in May in eight of these groups, in only three of them was it sufficiently longer to offset employment declines. The largest increase, 150,000 man-hours per week, was in the iron and steel group and reflected the settling in May of the strikes which took place in April. The increases in the lumber and furniture groups were seasonal."

The Secretary of Labor went on to say:

"Of the 11 non-durable goods groups, five reported more aggregate hours per week. The increases in the apparel, tobacco, and paper groups were wholly the results of longer work-weeks, while the increases in the food and the petroleum groups reflect increased employment coupled with longer work-weeks. The increase in total manufacturing time per week in the non-durable goods group, as a whole, amounted to 814,000 hours.

"Average weekly earnings for manufacturing as a whole amounted to $46.13 in May, 57 cents more than in April. The earnings in the durable goods group amounted to $52.05, while the earnings in the non-durable goods group averaged $37.04. Workers in the textile, apparel, and tobacco groups still averaged less than $30 a week although the scheduled work-week in each of these groups is more than 40 hours.

"The increases in average hours per week in anthracite, bituminous, and metal mining reflect the return to full-scale operations after the Easter holiday. Weekly earnings in bituminous coal mining averaged $51.67; in anthracite, $48.54, and in metal mining, $44.59."

Dubois In Treasury Post

The appointment of Josiah E. Dubois, Jr., of Woodbury, N. J., as Assistant General Counsel of the Treasury Department was announced by Secretary Morgenthau on July 30. Mr. Dubois, it is stated, had been serving as Chief Counsel for the Foreign Funds Control Division.

Lumber Movement—Week Ended July 29, 1944

According to the National Lumber Manufacturers Association, lumber shipments of 505 mills reporting to the National Lumber Trade Barometer were 1.1% above production for the week ended July 29, 1944. In the same week new orders of these mills were 10.6% below production. Unfilled order files of the reporting mills amounted to 114.3% of stocks. For reporting softwood mills, unfilled orders are equivalent to 40 days' production at the current rate, and gross stocks are equivalent to 41 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 5.4%; orders by 7.5%.

Compared to the average corresponding week of 1935-39, production of reporting mills was 25.4% greater; shipments were 30.4% greater, and orders were 11.7% greater.

Items About Banks, Trust Companies

Robert M. Catharine, President of the Dollar Savings Bank of the City of New York, was elected on Aug. 3 a member of the Board of Directors of the Bank of the Manhattan Company. Mr. Catharine is Vice-President and a member of the Executive Committee of the Savings Bank Association of the State of New York and Chairman of Group IV. He is a member of the Executive Committee of the National Association of Mutual Savings Banks and was recently appointed by the Superintendent of Banks a Trustee of the Savings Banks Life Insurance Fund.

Henry Ruhlender, retired banker, died at Lake Placid on Aug. 1. He was 77 years of age. Mr. Ruhlender for many years was connected with the former banking firm of Speyer & Co. of New York. In addition he served as Chairman of the Board of the St. Louis-San Francisco Railway Co. Mr. Ruhlender was also formerly Chairman of the Missouri-Kansas-Texas Railroad Co., and Director of the Baltimore & Ohio Railroad.

On Aug. 1, the Franklin Savings Institution of Newark, N. J., celebrated its 60th year. The bank began business on Aug. 1, 1884, with Harry Lang as its first President. The Newark "News" reporting this also said:

"Other original officers were John M. Gwinnell, Vice-President, and William H. Lee, Treasurer.

"There have been seven Presidents, Messrs. Lang, Gwinnell, Lee, M. G. Perkins, Adrian Riker, Robert L. Ross and at present Irving Riker, son of Adrian Riker.

"The institution was the first savings bank in New Jersey to accrue interest from the month of deposit, interest being allowed from the first of each month for deposits made during the first three business days of each month. The practice is still followed. The institution has more than 15,000 depositors with total deposits in excess of $12,000,000. It is a member of the Federal Deposit Insurance Corp."

The consolidation of the First National Bank and the National Iron Bank of Morristown, N. J., was approved on July 27 at shareholder meetings and was scheduled to become effective at the close of business on Aug. 1. After that, said the Newark "News," the two oldest banks in Morris County will be united under the name of the First National Iron Bank of Morristown, with banking transactions carried on in the National Iron Bank building. Headquarters of a Rockaway branch will remain unchanged. The same paper July 29 also stated:

The stockholders unanimously approved a plan for consolidation presented by a committee representing directors of both banks. Negotiations for the merger have been under way since January.

President and chief executive officer of the consolidated bank will be Frank D. Abell, who had been President of the First National. Elmer King is Chairman of the board of directors, the post he held at National Iron. Mr. Abell, former State Senator, is President of New Jersey Bankers' Association.

Mr. Abell said on July 27: "We are confident that as the largest bank in Morris County, with deposits of more than $20,500,000 belonging to more than 19,500 depositors, we can be of even more service to our customers than in the past."

Craig S. Bartlett resigned from the First National Bank of Jersey City on July 31 and will become an Assistant Vice-President of the Central Hanover Bank & Trust Co. of New York, at 60 Broadway, as of Sept. 1. In the First National Bank of Jersey City Mr. Craig was Assistant Vice-President.

As a result of the adoption on July 25 by the shareholders of the Winters National Bank & Trust Co. of Dayton, O., of plans respecting the increase in capital through the contemplated sale of additional common shares, the common capital of the bank, formerly amounting to $1,500,000 represented by 15,000 shares of $100 par value each, will be increased to $3,000,000 represented by 150,000 shares of $20 par value each. Present stockholders will receive in exchange for each of their 15,000 shares of $100 par value stock five shares of the new $20 par value stock. As was indicated in the bank's letter to shareholders dated July 14, the additional 75,000 shares of $20 par value stock to be sold is being offered first to holders of common stock of record at the close of business on July 25.

The advices issued by the bank also state:

"In order to assure the bank of the sale of all of the 75,000 additional shares, an underwriting agreement has been executed between the bank and McDonald & Co., Cleveland, O., on behalf of a group of underwriters, whereby the underwriters agree to purchase at $20 per share any of the 75,000 shares of additional stock not subscribed for by shareholders pursuant to the exercise of subscription warrants. In the underwriting agreement the underwriters have also agreed that at any time prior to 2 p.m. (EWT), on Tuesday, Aug. 15, 1944, they will purchase subscription warrants from any shareholder who may desire to sell at a price of not less than $2 for each share which the holder is entitled to purchase under the terms of such subscription warrant. The underwriters have agreed that any shares of stock acquired by them, either by purchase of unsubscribed shares from the bank or through the exercise by them of subscription warrants purchased by them, will not be resold by them at a price in excess of $24 per share."

The advices also state:

"The bank was originally chartered by the State Legislature of Ohio on Feb. 11, 1814, under the name of the Dayton Manufacturing Co. and opened for business as Dayton's first bank on Aug. 11, 1814. The name of the bank was later changed to the Dayton Bank, then the New Exchange Bank and in 1857 to V. Winters & Son. On Dec. 21, 1881, the bank was chartered under the National Banking Laws as the Winters National Bank, under which name it operated until adoption of its present name on Feb. 12, 1924."

In its June 30, 1944, statement the bank showed deposits of $101,259,080 and total assets of $126,368,192. Charles F. Kettering is Chairman of the Board and W. H. J. Behm is President. Previous items on the increase in capital appeared in our July 27 issue, page 424 and Aug. 3, page 528.

Admission of the Bank of Corning Company at Corning, Perry County, O., to membership in the Federal Reserve System was announced on Aug. 3 by President M. J. Fleming of the Federal Reserve Bank of Cleveland. The bank, serving a mining and railroading population of about 3,000, was incorporated 40 years ago. Its capital is $50,000 and surplus $18,000. Officers of the Bank of Corning Company are: Dr. James Miller, President; G. D. Keller, Vice-President; Leo Radkoski, Cashier, and Miss Emma Hensler, Assistant Cashier. The directors, besides Messrs. Miller, Keller and Radkoski, are: M. R. Brown, Mayor of Corning; P. H. Clifford, railroad employee; E. J. Debney, merchant; William H. Morgan, railroad employee, and Harry K. Park, druggist and coal company manager.

On Aug. 5 the Board of Directors of the Merchantile National Bank of Chicago, Ill., called a meeting of the stockholders to be held on Aug. 28 for the purpose of acting on a proposal to change the par value of the outstanding shares from $100 to $20 and to increase the capital stock from $600,000 to $1,000,000. With the approval of the plans the outstanding stock will be changed for new stock on a 1-to-5 basis. The Chicago "Tribune" from which this is learned quotes W. W. Farrell, President of this bank, as saying:

"The directors wish a larger capital stock structure because of the growth in deposits and the consequent need for providing a capital ratio more in keeping with the bank's resources."

William M. Hale, Vice-President of the Federal Reserve Bank of San Francisco, Calif., since 1936, has become Executive Vice-President of the American Trust Co. of San Francisco on Aug. 1. It is further stated by the San Francisco "Chronicle" that Mr. Hale has been in banking since his graduation from University of California in 1914, and is widely known in financial circles.

Credit Commission Of ABA Plans Adequate Credit For Post-War Needs Of Small Business

A program designed to assure adequate bank credit to meet the needs of small business in the reconversion and post-war periods, was revealed on Aug. 4 by Robert M. Hanes, Chairman of the Post-War Small Business Credit Commission of the American Bankers' Association and former President of the ABA. Under the credit policy adopted by the Commission "every competent individual, firm or corporation in the United States that needs bank credit will get it," according to Mr. Hanes, "if the money is to be used for some constructive purpose that will serve the private enterprise economy of this country. If the individual banks cannot grant the credit, we as bankers," said Mr. Hanes, "pledge ourselves to stay with him and see that he gets the money from some other bank or group of banks. American banking will see that small business lives and is given the opportunity to grow and prosper." Mr. Hanes added:

"It should be clearly understood, however, that this does not mean that banking is embarking upon a program of making reckless loans. Such loans are of no benefit to the borrower, the bank or the community. Nor should it be construed that banks have not been making loans and providing ample credit for small businessmen of character and ability. They have been doing it for years. In 1940, the last full year of peacetime business operation, the banks of the country made more than 24 million loans, the average new loan being approximately $1,700."

Stating that "a survey of postwar credit needs made recently by members of the Commission in their own districts, clearly reveals that the major share of the credit required will be provided by the banking system itself," Mr. Hanes says:

"Never before have the banks of this country had such a tremendous storehouse of credit with which to serve the multiple needs of post-war business, industry and agriculture as they have today. The deposit structure is now far in excess of $100,000,000,000, a volume of funds adequate to finance the credit needs of post-war America. This credit will be released just as soon as the economic condition of the country permits and government regulations restricting the extension of credit in many lines of activity as a precaution against inflation are lifted.

"The members of the Post-War Small Business Credit Commission are determined to see that this great credit reservoir is used for productive purposes to facilitate the conversion of business and industry from war to peacetime production, to revitalize the many segments of small business adversely affected by wartime restrictions, and to provide the financial encouragement and strength to business, industry, agriculture and the professions that will create maximum postwar employment, particularly for returning war veterans.

"In doing this, the entire machinery of the American banking system will be utilized to the fullest extent. Correspondent banks will play an important part. Where a local bank cannot extend either part or all of the credit needed, it will be encouraged to use its correspondent banks to see that the money is made available or an earnest attempt is made to make the application suitable for bank consideration. . . .

"This happy relationship between banks will enable the smaller banks to serve adequately the credit needs of their communities and at the same time preserve independence of policy and action in their own territories. Small business will be the chief beneficiary of the experience, skill, facilities and resources that have been developed over a long period of years by this cooperation between banks."

It is pointed out that while most of the post-war credit demands will be met by individual banks either directly or in cooperation with other banks, the Commission recognized that there may be instances where banks, because of limited resources, unfamiliarity with the type of credit desired, or barred by legal lending limits or the terms and conditions requested, may be unable to provide the credit needed. It therefore considered various plans for meeting such situations and determined that the voluntary participation regional bank credit group was the most feasible type of organization that could be utilized to perform this function. The announcement adds:

"Such groups will be strictly voluntary in character, regional in operation and management. They will be started when and where local banks feel a need for such an auxiliary or supplementary source of credit. The Post-War Small Business Credit Commission will have no voice in their organization or management. It will however act as a clearing house for information to groups contemplating such action. Several such groups are already being considered by bankers in widely separated parts of the country, according to reports made at the Commission meeting." From the Association's advices we also quote:

"Many banks throughout the country, according to reports made at the Commission meeting, are already establishing small business loan departments or units under similar name. The creation of such special departments or committees, it was believed, indicates the growing volume of small business loans being made by banks and banking's desire to see that the varied needs of this type of enterprise receive specialized and expert attention.

"The Commission itself is undertaking immediate research into the problems of small business under the guidance of its newly-appointed staff director, William Sheperdson, former chief of the Small Business Unit of the Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce. It was emphasized at the meeting that 92% of American enterprises are officially classified as 'small business' by the United States Department of Commerce. It was also pointed out that the term is used by small businessmen themselves in designating their own organizations, there being some 25 'small business associations' in operation throughout the country."

Plans are being made for a series of regional meetings throughout the country the first of which will be held in New England and the Midwest in September to acquaint bankers with the technical aspects of the Commission's program.

"Through these post-war plans," said Mr. Hanes, "banking will fortify the principles of private enterprise. The problem of increased peacetime production, employment and opportunity for the people of this nation can only be met and solved satisfactorily through the efforts of a free people — free in their right to achieve success through their own intelligence, courage and ability. Such a free people will make the maximum use of a free and independent banking system such as will be provided by the banks of this country in the post-war period. Working together in the spirit of free enterprise banking, business, industry, and agriculture will create a vigorous and healthy post-war economy. United they will build a nation rich in hope and opportunity for the returning heroes of this war."

The recently created Post-War Small Business Credit Commission held its organization meeting in New York City July 25-27. It consists of 42 bankers from both small and large institutions and represents every section of the country. The meeting was also attended by the Association's Credit Policy Commission.

NYSE Entertains China's Delegates

Y. C. Koo, Vice-Minister of Finance of China, and P. M. Hsi, Director of the Central Bank and of the Bank of China, in charge of its New York office, who were delegates to the recent United Nations Monetary and Financial Conference, at Bretton Woods, N. H., were guests on Aug. 4 at a luncheon given in their honor at the New York Stock Exchange by Emil Schram, President, and John A. Coleman, Chairman of the Board of Governors. Accompanying the delegates on their visit, which included an inspection of the trading floor and the quotation and ticker departments were: Li Ming, Chairman of the Chekiang Industrial Bank, Ltd., former Chairman of the Bank of China; Chao Ting Chi, Secretary General of the Foreign Exchange Control, Head of the Research Department of the Bank of China; T. S. Wei, Economist, member of the legislative Yuan; C. F. Kuo, Economist with the Postal Administration of the Chinese Government; V. Y. Wu, Department head of Currency and Banking in the Ministry of Finance; Y. T. Chen, Personal Secretary to Dr. H. H. Kung, Minister of Finance, and Albert L. Schomp, President of the American Bank Note Co.

Open Stock Exchanges In Rome And Naples

Associated Press accounts from Rome July 31 stated:

"The Italian Treasury Ministry in agreement with the Allied Control Commission, issued an order today permitting the reopening of the Rome and Naples Stock Exchanges beginning tomorrow. Trading will be confined to cash transactions in State securities and public services bonds."